TransCanada

TRANSCANADA PIPELINES LIMITED

ANNUAL INFORMATION FORM

February 22, 2007

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PRESENTATION OF INFORMATION

Unless otherwise noted, the information contained in this Annual Information Form ("*AIF*") for TransCanada PipeLines Limited ("*TCPL*") is given at or for the year ended December 31, 2006 ("*Year End*"). Amounts are expressed in Canadian dollars unless otherwise indicated. Financial information is presented in accordance with Canadian generally accepted accounting principles.

Unless the context indicates otherwise, a reference in this AIF to "TCPL" or the "Company" includes TCPL's parent, TransCanada Corporation ("*TransCanada*") and the subsidiaries of TCPL through which its various business operations are conducted and a reference to "TransCanada" includes TransCanada Corporation and the subsidiaries of TransCanada Corporation, including TCPL. Where TCPL is referred to with respect to actions that occurred prior to its 2003 plan of arrangement with TransCanada, which is described below under the heading "TransCanada PipeLines Limited – Corporate Structure", these actions were taken by TCPL or its subsidiaries. The term "subsidiary", when referred to in this AIF, with reference to TCPL means direct and indirect wholly-owned subsidiaries of, and entities controlled by, TransCanada or TCPL, as applicable.

TCPL's Management's Discussion and Analysis dated February 22, 2007 ("MD&A") and TCPL's Audited Consolidated Financial Statements dated February 22, 2007 are incorporated by reference into this AIF and can be found on SEDAR at www.sedar.com under TCPL's profile.

Information relating to metric conversion can be found at Schedule "A" to this AIF.

FORWARD-LOOKING INFORMATION

This AIF, the documents incorporated by reference into this AIF, and other reports and filings made with the securities regulatory authorities contain certain information that is forward-looking and is subject to important risks and uncertainties. The words "anticipate", "expect", "may", "should", "estimate", "project", "outlook", "forecast" or other similar words are used to identify such forward looking information. All forward-looking statements are based on TCPL's beliefs and assumptions based on information available at the time such statements were made. The results or events predicted in this information may differ from actual results or events. Factors which could cause actual results or events to differ materially from current expectations include, among other things, the ability of TCPL to successfully implement its strategic initiatives and whether such strategic initiatives will yield the expected benefits, the availability and price of energy commodities, regulatory decisions, changes in environmental and other laws and regulations, competitive factors in the pipeline and energy industry sectors, construction and completion of capital projects, access to capital markets, interest and currency exchange rates, technological developments and the current economic conditions in North America. By its nature, such forward-looking information is subject to various risks and uncertainties, including those material risks discussed in this AIF under "Risk Factors" and in the MD&A under "Pipelines – Business Risks" and "Energy – Business Risks", which could cause TCPL's actual results and experience to differ materially from the anticipated results or other expectations expressed. The material assumptions in making these forward-looking statements are disclosed in the MD&A under the headings "TCPL Overview", "TCPL's Strategy", "Outlook", "Pipelines – Opportunities and Developments", "Pipelines – Outlook", "Energy – Opportunities and Developments" and "Energy – Outlook". Readers are cautioned not to place undue reliance on this forward-looking information, which is given as of the date it is expressed in this AIF or otherwise, and TCPL undertakes no obligation to update publicly or revise any forward-looking information, whether as a result of new information, future events or otherwise, except as required by law.

TRANSCANADA PIPELINES LIMITED

Corporate Structure

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

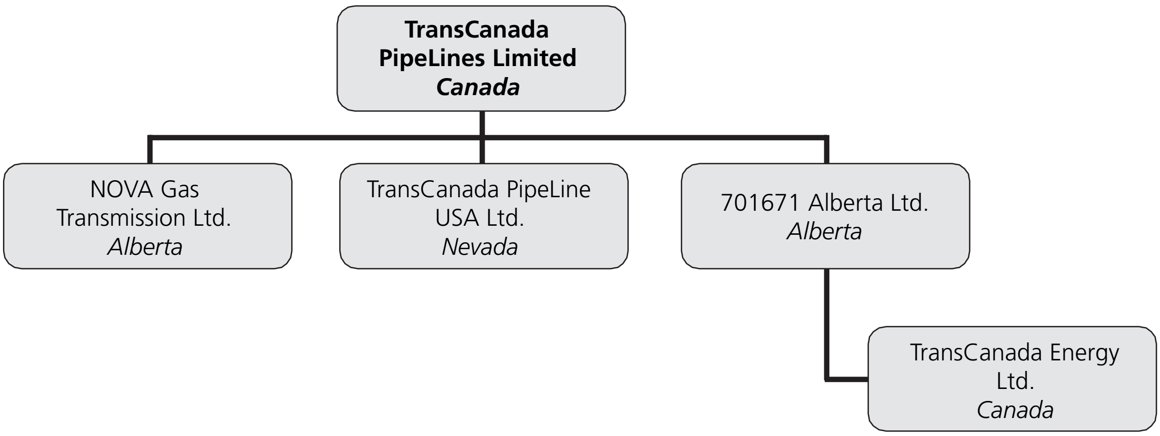
TCPL is a Canadian public company. Significant dates and events are set forth below.

Date	Event
March 21, 1951	Incorporated by Special Act of Parliament as Trans-Canada Pipe Lines Limited.
April 19, 1972	Continued under the *Canada Corporations Act* by Letters Patent, which included the alteration of its capital and change of name to TransCanada PipeLines Limited.
June 1, 1979	Continued under the *Canada Business Corporations Act.*
July 2, 1998	Certificate of Arrangement issued in connection with the Plan of Arrangement with NOVA Corporation ("NOVA") under which the companies merged and then split off the commodity chemicals business carried on by NOVA into a separate public company.
January 1, 1999	Certificate of Amalgamation issued reflecting TCPL's vertical short form amalgamation with a wholly-owned subsidiary, Alberta Natural Gas Company Ltd.
January 1, 2000	Certificate of Amalgamation issued reflecting TCPL's vertical short form amalgamation with a wholly-owned subsidiary, NOVA Gas International Ltd.
May 4, 2001	Restated TransCanada PipeLines Limited Articles of Incorporation filed.
June 20, 2002	Restated TransCanada PipeLines Limited By-Laws filed.
May 15, 2003	Certificate of Arrangement issued in connection with the plan of arrangement with TransCanada. TransCanada was incorporated pursuant to the provisions of the Canada *Business Corporations Act* on February 25, 2003. The arrangement was approved by TCPL common shareholders on April 25, 2003 and following court approval, Articles of Arrangement were filed making the arrangement effective May 15, 2003. The common shareholders of TCPL exchanged each of their TCPL common shares for one common share of TransCanada. The debt securities and preferred shares of TCPL remained obligations and securities of TCPL. TCPL continues to hold the assets it held prior to the arrangement and continues to carry on business as the principal operating subsidiary of the TransCanada group of entities.

At Year End, TCPL had approximately 2,350 employees, substantially all of whom were employed in Canada and the United States.

Significant Subsidiaries

TCPL's significant subsidiaries[(1)] at Year End and the jurisdiction under which each subsidiary was incorporated are noted below. TCPL owns, directly or indirectly, 100 per cent of the voting shares of each of these subsidiaries.



(1) Excludes certain of TCPL's subsidiaries where:

- the total assets of the subsidiary do not exceed ten per cent of the consolidated assets of TCPL at Year End;
- the sales and operating revenues of the subsidiary do not exceed ten per cent of the consolidated sales and operating revenues of TCPL for the year ended December 31, 2006;
- the aggregate assets of all the excluded subsidiaries do not exceed 20 per cent of the consolidated assets of TCPL at Year End; and
- the aggregate sales and operating revenues of all the excluded subsidiaries do not exceed 20 per cent of the consolidated sales and operating revenues of TCPL for the year ended December 31, 2006.

GENERAL DEVELOPMENT OF THE BUSINESS

The general development of TCPL's business during the last three financial years, and the significant acquisitions, dispositions, events or conditions which have had an influence on that development, are described below.

Effective June 1, 2006, TCPL revised the composition and names of its reportable business segments to *Pipelines* and *Energy*. Pipelines is principally comprised of the company's pipelines in Canada, the United States and Mexico. Energy includes the company's power operations, natural gas storage business and liquefied natural gas ("*LNG*") projects in Canada and the United States.

Developments in the Pipelines Business

TransCanada's strategy in pipelines is focused on both growing its North American natural gas transmission network and maximizing the long-term value of its existing pipeline assets. Summarized below are significant developments that have occurred in TCPL's pipelines business over the last three years.

2006

Pipeline Developments

- January 2006. TCPL secured firm, long-term contracts for the Keystone oil pipeline project totalling 340,000 barrels per day with durations averaging 18 years;

- April 2006. TC PipeLines, LP, an affiliate of TCPL, acquired an additional 20 per cent general partnership interest in Northern Border Pipeline Company ("*NBPL*") for approximately US$307 million which brings the total general partnership interest in NBPL to 50 per cent. TC PipeLines, LP also indirectly assumed approximately US$122 million of the debt of NBPL. TCPL expects to become the operator of NBPL in April 2007. TCPL is the parent company of TC PipeLines GP, Inc., the general partner of TC PipeLines, LP;
- April 2006. TCPL sold its 17.5 per cent general partner interest in Northern Border Partners, L.P. for approximately US$29.5 million;
- December 2006. The 130 km Tamazunchale pipeline in east central Mexico went into commercial service;
- December 2006. TC PipeLines, LP acquired 49 per cent of Sierra Pacific Resources' 50 per cent interest in Tuscarora Gas Transmission Company ("*Tuscarora*"), with an option to acquire the remaining one per cent interest for US$100 million, plus US$37 million of assumed debt, subject to certain post closing adjustments. TC PipeLines, LP now holds a 99 per cent interest in Tuscarora and TCPL indirectly holds a one per cent ownership interest. A subsidiary of TCPL became the operator of Tuscarora;
- December 2006. TransCanada entered into a purchase and sale agreement with El Paso Corporation pursuant to which TransCanada agreed to acquire American Natural Resources Company and ANR Storage Company (collectively, "*ANR*"). TransCanada also agreed to purchase an additional 3.55 per cent interest in Great Lakes Gas Transmission Limited Partnership ("*Great Lakes*") from El Paso Corporation. The total purchase price is approximately US$3.4 billion and includes approximately US$488 million of assumed debt. The acquisition includes an approximately 17,000-kilometre pipeline system and 230 billion cubic feet ("*Bcf*") of storage capacity in the United States. The acquisition closed on February 22, 2007, as discussed under "General Development of the Business – Recent Developments" in this AIF;
- December 2006. TC PipeLines, LP agreed to acquire a 46.45 per cent interest in Great Lakes from El Paso Corporation for a purchase price of US$962 million which includes the assumption of approximately US$212 million of assumed debt, subject to certain post closing adjustments. The acquisition closed on February 22, 2007, as discussed under "General Development of the Business – Recent Developments" in this AIF;
- TCPL continued to invest in the Canadian Mainline and the Alberta System;
- TCPL continued funding of the Mackenzie Valley Aboriginal Pipeline Limited Partnership for its participation in the Mackenzie Gas Pipeline Project; and
- TCPL continued discussions relating to the proposed Alaska Highway Pipeline Project.

Regulatory Matters

- February 2006. TCPL filed an application with the U.S. Federal Energy Regulatory Commission ("*FERC*") for a certificate for a two-phase expansion of its existing natural gas pipeline in southern California, the North Baja system ("*North Baja System*") and the construction of a new lateral pipeline in California's Imperial Valley;
- April 2006. The National Energy Board ("*NEB*") approved a negotiated settlement of the 2006 Canadian Mainline tolls which included a deemed common equity ratio of 36 per cent and incentives for managing cost through fixing certain components of the revenue requirement;
- June 2006. TCPL filed an application with the NEB seeking approval to transfer a portion of TCPL's Canadian Mainline natural gas transmission facilities to the Keystone oil pipeline project for the purposes of transporting crude oil from Alberta to refining centres in the U.S. Midwest, which was approved by the NEB in February, 2007. Additionally, in December 2006, TCPL filed an application with the NEB for approval to construct and operate the Canadian portion of the Keystone oil pipeline, which is anticipated to be in service in late 2009; and
- June 2006. TransCanada filed a rate case with the FERC requesting a number of tariff changes including an increase in rates for certain services on the Gas Transmission Northwest system ("*Gas Transmission Northwest*

System"). Further information relating to the Gas Transmission Northwest System can be found in this AIF under "Business of TCPL – Regulation".

Further information about these developments can be found in this AIF under "General Development of the Business – Recent Developments" and in the MD&A under the heading "TCPL's Strategy – Pipelines" and "Pipelines – Opportunities and Developments".

2005

Pipeline Developments

- February 2005, TCPL announced the Keystone oil pipeline project, a US$2.1 billion oil pipeline project to transport approximately 435,000 barrels per day of heavy crude oil from Alberta to Illinois;
- March 2005. TCPL sold 3,574,200 common units of TC PipeLines, LP for $153 million;
- TCPL continued discussions relating to the proposed Alaska Highway Pipeline Project;
- June 2005. TCPL acquired an additional interest in the Iroquois Gas Transmission System L.P. ("*Iroquois System*") for US$13.6 million. The acquisition increased TCPL's ownership interest from 40.96 per cent to 44.48 per cent;
- June 2005. TCPL commenced construction of the Tamazunchale Pipeline in east-central Mexico which went into service in December 2006; and
- TCPL continued funding of the Mackenzie Valley Aboriginal Pipeline Limited Partnership for its participation in the Mackenzie Gas Pipeline Project.

Regulatory Matters

- March 2005. TCPL reached a settlement with shippers and other interested parties regarding the annual revenue requirements of its Alberta System for the years 2005, 2006 and 2007. The settlement was approved by regulators; and
- May 2005. TCPL received the NEB's decision on the Canadian Mainline 2004 Tolls and Tariff Application (Phase II), approving an increase in the deemed common equity component of TCPL's Canadian Mainline System's capital structure from 33 per cent to 36 per cent effective January 1, 2004.

2004

Pipeline Developments

- November 2004. TCPL acquired the Gas Transmission Northwest System and the North Baja System from National Energy & Gas Transmission, Inc. for US$1.7 billion, including approximately US$0.5 billion of assumed debt.

Developments in the Energy Business

In the past three years, TCPL has grown its energy business and, in particular, has increased its power generation capacity from facilities it owns, operates and/or controls, including those under construction or in development, from approximately 5,700 megawatts ("*MW*") in 2004 to approximately 7,700 MW at Year End. Summarized below are significant developments that have occurred in TCPL's energy business over the last three years.

2006

Energy Developments

- TCPL continued construction of the Cartier wind energy project ("*Cartier Wind Energy Project*"), of which 62 per cent is owned by TCPL. The first of six proposed wind farm projects was commercial in late 2006 and construction commenced on the second which is expected to be in service in late 2007. The other phases of the Cartier Wind Energy Project will continue, subject to future appropriations and approvals, through 2012 at five different locations in the Gaspé region of Québec and capacity is expected to total 740 MW when all phases are complete. Once completed, the entire output of the Cartier Wind Energy Project will be supplied to Hydro-Québec Distribution under 20-year power purchase contracts;

- September 2006. Portlands Energy Centre L.P., 50 per cent owned by TCPL, signed a 20-year Accelerated Clean Energy Supply ("*ACES*") contract with the Ontario Power Authority for Portlands Energy Centre ("*PEC*"), a 550 MW high-efficiency, combined-cycle natural gas generation plant is being constructed in downtown Toronto. The capital cost of PEC is estimated to be approximately $730 million. PEC is expected to be operational in simple-cycle mode and delivering 340 MW of electricity beginning June 2008, and is expected to be completed in the second quarter of 2009, delivering up to 550 MW of power under the ACES contract;
- September 2006. Construction of the 550 MW Bécancour cogeneration plant near Trois Rivières, Québec, was completed and placed in commercial service providing power to Hydro-Québec Distribution;
- November 2006. TCPL was awarded a 20-year Clean Energy Supply contract by the Ontario Power Authority to build, own and operate a 683 MW natural gas-fired power plant near the Town of Halton Hills, Ontario. TCPL expects to invest approximately $670 million in the Halton Hills Generating Station, which is anticipated to be in service in the second quarter of 2010;
- December 2006. The Edson gas storage facility was placed in service; and
- TCPL continued work on the restart and refurbishment project at Bruce A nuclear power generation facility in Ontario. The first unit is expected to be online in late 2009, subject to approval by the Canadian Nuclear Safety Commission.

Regulatory Matters

- January 2006. TCPL, on behalf of the Broadwater Energy project, filed an application with the FERC for approval of the LNG regasification project to be located in Long Island Sound, New York. The United States Coast Guard issued a report which determined that the waterways associated with the project are suitable if additional measures are implemented to manage the safety and security risks associated with the project. Broadwater's application to the New York Department of State for a determination that the project is consistent with New York's coastal zone policies was deemed complete by the state in November of 2006. Also in November, the FERC issued a statement which concludes that with strict adherence to federal and state permit requirements and regulations, and Broadwater's proposed mitigation measures and the FERC's recommendations, the Broadwater project will not result in significant impacts to the environment; and
- December 2006. A public hearing on the Cacouna Energy LNG facility in Cacouna, Québec (the "*Cacouna Energy Project*") was held in May and June of 2006 and in December 2006 the Minister of the Environment for Québec and the federal Minister of the Environment, jointly released the report of the Joint Commission on the Cacouna Energy Project. The report has several recommendations and opinions but overall, in management's view, appears to be favourable to the project. TCPL continues to work towards gaining regulatory approval and provided the necessary approvals are obtained, the facility is anticipated to be in service sometime in 2010.

Further information about each of these energy developments can be found in the MD&A under the heading "TCPL's Strategy – Energy" and "Energy – Opportunities and Developments".

2005

Energy Developments

- February 2005. TCPL advanced the 740 MW Cartier Wind Energy Project with the signing of long term electricity supply contracts;
- April 2005. TCPL acquired the hydroelectric power generation assets from USGen New England, Inc. for approximately US$503 million;

- September 2005. TCPL sold all of its interests in TransCanada Power, L.P. ("*Power LP*") to EPCOR Utilities Inc. for net proceeds of $523 million;
- October 2005. Bruce Power A L.P. ("*Bruce A*") entered into agreements with the Ontario Power Authority to restart units 1 and 2, extend the operating life of unit 3 and replace the generators on unit 4 at Bruce A. The capital program for the restart and refurbishment work is expected to total approximately $4.25 billion with TransCanada's share expected to be approximately $2.125 billion;
- December 2005. TCPL sold its approximate 11 per cent interest in P.T. Paiton Energy Company to subsidiaries of The Tokyo Electric Power Company, resulting in gross proceeds of US$103 million;
- December 2005. TCPL acquired the remaining rights and obligations of the 756-megawatt Sheerness Power Purchase Arrangement ("*PPA*") from the Alberta Balancing Pool for $585 million;
- TCPL commenced construction of a natural gas storage facility located near Edson, Alberta; and
- Ocean State Power successfully restructured its long-term natural gas fuel supply contracts with its supplier.

Regulatory Matters

- TCPL continued working toward gaining regulatory approval for its two LNG projects: Cacouna in Québec and the Broadwater Energy project, offshore of New York State in Long Island Sound.

2004

Energy Developments

- April 2004. TCPL received approval from the Québec government to develop the 550 MW natural gas-fired Bécancour cogeneration plant located at an industrial park near Trois-Rivières, Québec ("*Bécancour Plant*") and which will supply its entire power output to Hydro-Québec Distribution under 20 year power purchase contracts. Construction of the 550 MW Bécancour Plant began in the third quarter of 2004;
- April 2004. TCPL sold its ManChief and Curtis Palmer power plants to Power LP for approximately US$403 million, excluding closing adjustments;
- September 2004. TCPL and Petro-Canada signed a memorandum of understanding for the development of the Cacouna Energy Project. The proposed facility will be capable of receiving, storing and regasifying imported LNG with an average annual send out capacity of approximately 500 million cubic feet per day of natural gas. The proposed facility requires regulatory and other approvals from federal, provincial and municipal governments and regulators;
- October 2004. The Cartier Wind Energy Project, of which 62 per cent is owned by TCPL, was awarded six wind energy projects by Hydro-Québec Distribution, representing a total of 740 MW in the Gaspé region of Québec. The six proposed projects are distributed throughout the Gaspésie-Iles-de-la-Madeleine region and the Regional County Municipality of Matane;
- November 2004. TCPL and Shell US Gas & Power LLC ("*Shell*") announced plans to jointly develop an offshore LNG regasification terminal, Broadwater Energy, in the New York State waters of Long Island Sound. The proposed floating storage and regasification unit will be capable of receiving, storing and regasifying imported LNG with an average send out capacity of approximately one Bcf per day of natural gas. TCPL owns 50 per cent of Broadwater Energy LLC, which will own and operate the facility, while Shell will contract for the facility's entire regasification capacity and supply the LNG. The proposed Broadwater Energy LNG facility required regulatory approval from federal and state governments before construction could begin;
- Construction of the 165 MW MacKay River power plant located in Alberta was completed in 2003 and the plant was put into commercial service in 2004; and
- Construction of the 90 MW Grandview natural gas-fired cogeneration power plant on the site of the Irving Oil refinery in Saint John, New Brunswick ("*Grandview Plant*") was completed by the end of 2004 and was commissioned in January 2005. Under a 20-year tolling arrangement, a subsidiary of Irving Oil Limited will

provide fuel to the Grandview Plant and has contracted for 100 per cent of the Grandview Plant's heat and electricity output.

Recent Developments

On February 22, 2007, TransCanada closed its acquisitions of ANR and an additional 3.55 per cent interest in Great Lakes from El Paso Corporation for approximately US$3.4 billion, and includes approximately US$488 million of assumed long-term debt. The acquisition of ANR was partially financed through a public offering of subscription receipts by TransCanada, resulting in proceeds of approximately $1.5 billion. For further information see "General Development of the Business – Developments in the Pipelines Business" in this AIF.

In February 2007, TC PipeLines, LP completed a private placement offering of 17,356,086 units at a price of US$34.57 per unit. TransCanada acquired 50 per cent of the units for US$300 million, increasing its total ownership to 32.1 per cent. TransCanada also invested an additional approximately $12 million to maintain its general partnership ownership interest in TC PipeLines, LP. The total private placement resulted in gross proceeds of approximately US$612 million which were used to partially finance TC PipeLines, LP's acquisition of its 46.45 per cent interest in Great Lakes.

TCPL received NEB approval on February 9, 2007, to transfer a section of the Canadian Mainline natural gas transmission facilities to the Keystone oil pipeline project to transport crude oil from Alberta to refining centres in the U.S. Midwest. TCPL continues to proceed with applications for U.S. regulatory approvals at federal and state levels. Construction of the Keystone pipeline is expected to begin in early 2008, with commercial operations scheduled to commence in the fourth quarter of 2009. In addition, TCPL announced in January 2007 the start of a binding Open Season for an expansion and extension of the propsed Keystone oil pipeline. The purpose of the Open Season is to obtain binding commitments to support the expansion of the proposed Keystone pipeline from approximately 435,000 barrels per day to 590,000 barrels per day and the construction of the 468 km extension of the United States portion of the pipeline. The US$700 million expansion and extension project is targetted to be in-service in the fourth quarter of 2010.

In February 2007, TCPL received approval from the NEB to integrate the B.C. system into the Foothills system in southern B.C. An agreement between the Company and shippers on the B.C. system includes a sharing mechanism for anticipated cost savings through increased administrative efficiencies arising from the integration of the two systems.

In January 2007, TCPL received a procedural order from the FERC establishing a timeline for Gas Transmission Northwest System's rate case proceeding. The comprehensive filing requests a number of tariff changes, including increased rates for transportation services. The hearing into this rate case is scheduled to commence on October 31, 2007. For further information see this AIF under "Business of TCPL – Regulation".

BUSINESS OF TCPL

TCPL is a leading North American energy infrastructure company focused on pipelines and energy. At Year End, Pipelines accounted for approximately 53 per cent of revenues and 71 per cent of TCPL's total assets and the Energy business accounted for approximately 47 per cent of revenues and 25 per cent of TCPL's total assets. The following is a description of each of TCPL's two main areas of operation.

The following table shows TCPL's revenues from operations by segment, classified geographically, for the years ended December 31, 2006 and 2005.

Revenues From Operations *(millions of dollars)*	**2006**	**2005**[4]
Pipelines		
Canada – Domestic Deliveries	**2,390**	2,281
Canada – Export Deliveries[1]	**971**	1,159
United States	**629**	553
	3,990	3,993
Energy[2]		
Canada – Domestic Deliveries	**2,566**	1,218
Canada – Export Deliveries[1]	**1**	1
United States	**963**	912
	3,530	2,131
Total Revenues[3]	**7,520**	6,124

(1) Export deliveries include pipeline revenues attributable to deliveries to U.S. pipelines and power deliveries to U.S. markets.

(2) Revenues include sales of natural gas.

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

(4) Effective June 1, 2006, TCPL revised the composition and names of its reportable business segments to *Pipelines* and *Energy*. The financial reporting of these segments was aligned to reflect the internal organizational structure of the Company. Pipelines principally comprises the Company's pipelines in Canada, the U.S. and Mexico. Energy includes the Company's power operations, natural gas storage business and liquefied natural gas projects in Canada and the U.S. The segmented information has been retroactively reclassified to reflect the changes in reportable segments. These changes had no impact on consolidated net income.

Pipelines Business

TCPL has substantial Canadian and U.S. natural gas pipeline and related holdings, including:

Canada

- a natural gas transmission system running from the Alberta border east to delivery points in eastern Canada and at various U.S. border points ("*Canadian Mainline*");
- a natural gas transmission system throughout the province of Alberta ("*Alberta System*");
- a natural gas transmission system in southeastern B.C., southern Alberta and southwestern Saskatchewan (the "*B.C. and Foothills Systems*");
- a 121 km natural gas transmission pipeline and related facilities which supply natural gas to the oil sands region of northern Alberta and a 27 km natural gas pipeline which supplies natural gas to a petrochemical complex at Joffre, Alberta; and
- a 50 per cent interest in Trans Québec & Maritimes Pipeline Inc. ("*TQM*") which operates a natural gas transmission system in southeastern Québec (the "*TQM System*").

United States

- effective February 22, 2007, TransCanada owns the ANR system (the "*ANR System*") a natural gas transmission system which extends approximately 17,000 km from producing fields in Louisiana, Oklahoma, Texas and the Gulf of Mexico to markets in Wisconsin, Michigan, Illinois, Ohio and Indiana;

- the Gas Transmission Northwest System, a natural gas transmission system running from northwestern Idaho, through Washington and Oregon to the California border;
- the North Baja System, a natural gas transmission system which extends from southwestern Arizona to a point near Ogilby, California on the California/Mexico border;
- effective February 22, 2007, a 68.5 per cent effective ownership interest in the Great Lakes Gas Transmission system ("*Great Lakes System*") which is located in the north central U.S., roughly parallel to the Canada-U.S. Border. Of this interest, 53.55 per cent is held directly by TransCanada and the remainder is held through TransCanada's interest in TC PipeLines, LP;
- a 44.5 per cent interest in the Iroquois System which runs southwards down through the eastern part of the State of New York terminating at points in Long Island and New York City;
- a 61.7 per cent interest in the Portland Natural Gas Transmission system ("*Portland System*") which runs through Maine and New Hampshire into Massachusetts;
- effective February 22, 2007, a 16.1 per cent effective ownership interest, held through TC PipeLines, LP, in the NBPL system ("*NBPL System*") which is located in the upper midwestern portion of the U.S.; and
- effective February 22, 2007, a 32.8 per cent effective ownership interest in the Tuscarora system ("*Tuscarora System*") which runs from Oregon eastwards to the upper portion of Nevada. One per cent of this interest is held directly through a subsidiary of TCPL and the remainder is held through TCPL's interest in TC PipeLines, LP.

As at February 22, 2007 TCPL holds a 32.1 per cent interest in TC PipeLines, LP, a publicly held limited partnership of which a subsidiary of TCPL acts as the general partner. The remaining interest of TC PipeLines, LP is widely held by the public. At Year End, TC PipeLines, LP also held a 50 per cent interest in NBPL and a 99 per cent interest in Tuscarora. Additionally, as at February 22, 2007, TC PipeLines, LP owns the remaining 46.45 per cent in Great Lakes.

International
TCPL also has the following natural gas pipeline and related holdings in Mexico and South America:

- a 46.5 per cent interest in the TransGas system which runs from Mariquita in central Colombia to Cali in southwest Colombia;
- a 30 per cent interest in the Gas Pacifico pipeline which extends from Loma de la Lata, Argentina to Concepción, Chile;
- a 30 per cent interest in INNERGY Holdings S.A. which is an industrial natural gas marketing and distribution company based in Concepción, Chile; and
- a 100 per cent interest in the Tamazunchale pipeline, which extends from the Pemex Gas facilities near Naranjos, Veracruz, Mexico to an electricity generation station near Tamazunchale, San Luis Potosi, Mexico.

Further information about TCPL's pipeline holdings, developments and opportunities and significant regulatory developments which relate to pipelines can be found in the MD&A under the headings "Pipelines – Opportunities and Developments", and "Pipelines – Financial Analysis".

In addition, information about the Mackenzie Gas Pipeline Project and the Alaska Highway Pipeline Project can be found in the MD&A under the headings "Pipelines – Opportunities and Developments – Mackenzie Gas Pipeline Project" and "Pipelines – Opportunities and Developments – Alaska Highway Pipeline Project", respectively.

Regulation

Canada

CANADIAN MAINLINE

Under the terms of the *National Energy Board Act* (Canada), the Canadian Mainline and B.C. and Foothills Systems are regulated by the NEB. The NEB sets tolls which provide TCPL the opportunity to recover projected costs of transporting natural gas, including the return on the Canadian Mainline's and B.C. and Foothills System's average investment base. In addition, new facilities are approved by the NEB before construction begins and the NEB regulates the operation of the Canadian Mainline and B.C. and Foothills Systems. Net earnings of the Canadian Mainline and B.C. and Foothills Systems may be affected by changes in investment base, the allowed return on equity, the level of deemed common equity and any incentive earnings.

ALBERTA SYSTEM

The Alberta System is regulated by the Alberta Energy and Utilities Board ("*EUB*") primarily under the provisions of the *Gas Utilities Act* ("*GUA*") and the *Pipeline Act*. Under the GUA, the Alberta System rates, tolls and other charges, and terms and conditions of services are subject to approval by the EUB. Under the provisions of the *Pipeline Act*, the EUB oversees various matters including the economic, orderly and efficient development of pipeline facilities, the operation and abandonment of the facilities and certain related pollution and environmental conservation issues. In addition to requirements under the *Pipeline Act*, the construction and operation of natural gas pipelines in Alberta are subject to certain provisions of other provincial legislation such as the *Environmental Protection and Enhancement Act*.

United States

TCPL's wholly-owned and partially owned U.S. pipelines, including ANR System, Gas Transmission Northwest System, Great Lakes System, Iroquois System, Portland System, NBPL System, North Baja System and Tuscarora System, are 'natural gas companies' operating under the provisions of the *Natural Gas Act of 1938* and the *Natural Gas Policy Act of 1978*, and are subject to the jurisdiction of the FERC. The *Natural Gas Act of 1938* grants the FERC authority over the construction and operation of pipelines and related facilities. The FERC also has authority to regulate rates for natural gas transportation and interstate commerce.

GAS TRANSMISSION NORTHWEST SYSTEM AND NORTH BAJA SYSTEM

Rates and tariffs of the Gas Transmission Northwest System and the North Baja System have been approved by the FERC. These two systems operate under fixed rate models, whereby rates for various service types have been approved by the FERC and under which each of the two systems is permitted to discount or negotiate rates on a non-discriminatory basis. Currently effective rates for mainline capacity on the Gas Transmission Northwest System went into effect on January 1, 2007, following Gas Transmission Northwest System's filing of a general rate case in June 2006 under Section 4 of the *Natural Gas Act of 1938*. Gas Transmission Northwest System's current rates were accepted for filing by the FERC, subject to refund. Refunds, with interest, may be due following approval of final rates by the FERC. Gas Transmission Northwest System's previously effective rates, which remained in effect through December 31, 2006, were established through a 1994 rate proceeding which culminated in a settlement that was approved by the FERC in 1996. Rates for capacity on the North Baja System were established in the FERC's initial order certificating construction and operations of its system.

PORTLAND SYSTEM

In 2003, the Portland System received final approval from the FERC of its general rate case under the *Natural Gas Act of 1938*. The Portland System is required to file a general rate case under the *Natural Gas Act of 1938* with a proposed effective date of April 1, 2008.

Energy Business

The Energy segment of TCPL's business includes the acquisition, development, construction, ownership and operation of electrical power generation plants, the purchase and marketing of electricity, the provision of electricity account services to energy and industrial customers, and the development, construction, ownership and operation of natural gas storage and LNG facilities in Canada and the United States.

The electrical power generation plants and power supply that TCPL owns, operates and/or controls, including those under development or in construction, in the aggregate, represent approximately 7,700 MW of power generation capacity. Power plants and power supply in Canada account for approximately 85 per cent of this total, and power plants in the United States account for the balance, being approximately 15 per cent.

TCPL owns and operates:

- natural gas-fired cogeneration plants in Alberta at Carseland (80 MW), Redwater (40 MW), Bear Creek (80 MW) and MacKay River (165 MW);
- the natural gas-fired cogeneration plant (90 MW) near Saint John, New Brunswick (Grandview);
- a waste-heat fuelled power plant at the Cancarb facility in Medicine Hat, Alberta (27 MW) (Cancarb);
- a natural gas-fired, combined-cycle plant in Burrillville, Rhode Island (560 MW) (Ocean State Power);
- hydroelectric generation assets in New Hampshire, Vermont and Massachusetts (567 MW) (TC Hydro);
- a natural gas-fired cogeneration plant near Trois-Rivières, Québec (550 MW) (Bécancour); and
- a natural gas storage facility near Edson, Alberta (Edson).

TCPL has long-term power purchase arrangements in place for:

- 100 per cent of the production of the Sundance A (560 MW) and a 50 per cent interest, through a partnership, of the production of the Sundance B (353 MW of 706 MW) power facilities near Wabamun, Alberta; and
- 756 MW of the production from the Sheerness facility near Hanna, Alberta.

TCPL has:

- a 60 per cent interest in CrossAlta Gas Storage Services Ltd., an underground natural gas storage facility located near Crossfield, Alberta;
- a long-term natural gas storage lease with a third party located in Alberta; and
- a 62 per cent interest in the Baie-des-Sables Cartier Wind Energy Project in the Gaspé region of Québec (68 MW of a total 109.5 MW).

TCPL owns, but does not operate:

- a 48.7 per cent partnership interest in the Bruce A nuclear power generation facility in Ontario (730.5 MW of a total of 1,500 MW that is currently in operation. Another 1,500 MW, of which 730.5 MW are attributable to TCPL, will be generated from two other units currently under refurbishment with restart expected to begin in late 2009 or early 2010);
- a 31.6 per cent partnership interest in the Bruce B nuclear power generation facilities in Ontario (1,011 MW of a total of 3,200 MW that is in operation); and
- a 16.7 per cent interest in Huron Wind L.P. whose assets are located at the Bruce site (2 MW of a total of 9 MW that is in operation).

TCPL owns the following facilities which are under construction or development:

- a 62 per cent interest in the Cartier Wind Energy Project which is expected to construct five additional wind energy projects in the Gaspé region of Québec over the period 2007 to 2012 (391 MW of a total of 630 MW) subject to future appropriations and approvals;

- a 50 per cent interest in the Portlands Energy Centre, a 550 MW natural gas-fired power plant located in the Portlands area of Toronto, which is expected to be in commercial service in the second quarter of 2009;
- the 683 MW Halton Hills natural gas-fired power plant located near the Town of Halton Hills, Ontario, which is anticipated to be in service in the second quarter of 2010;
- a joint venture with Shell on the Broadwater LNG project located offshore of New York State in Long Island Sound, a facility when completed that would be capable of receiving, storing and regasifying imported LNG with an average send out capacity of approximately one billion cubic feet per day of natural gas; and
- a joint venture with Petro-Canada on the Cancouna LNG project located in Québec at Gros Cacouna harbour on the St. Lawrence River, a facility when completed that would be capable of receiving, storing and regasifying imported LNG with an average send out capacity of approximately 500 million cubic feet per day of natural gas.

Further information about TCPL's energy holdings and significant developments and opportunities relating to energy can be found in the MD&A under the headings "Energy – Financial Analysis" and "Energy – Opportunities and Developments".

Other Interests

Cancarb Limited

TCPL owns Cancarb Limited, a world scale thermal carbon black manufacturing facility located in Medicine Hat, Alberta.

TransCanada Turbines

TCPL owns a 50 per cent interest in TransCanada Turbines Ltd., a repair and overhaul business for aero-derivative industrial gas turbines. This business operates primarily out of facilities in Calgary, Alberta, with offices in Bakersfield, California; East Windsor, Connecticut; and Liverpool, England.

TransCanada Calibrations

TCPL owns an 80 per cent interest in TransCanada Calibrations Ltd., a gas meter calibration business certified by Measurement Canada, located at Ile des Chênes, Manitoba.

HEALTH, SAFETY AND ENVIRONMENT

TCPL is committed to providing a safe and healthy environment for its employees, contractors, the public and to the protection of the environment. Health, safety and environment ("*HS&E*") is a priority in all of TCPL's operations. The HS&E Committee of TCPL's Board of Directors ("*Board*") monitors conformance with the TCPL HS&E corporate policy through regular reporting provided by TCPL's department of Community, Safety & Environment. TCPL's senior executives are also committed to ensuring TCPL is in conformance with its policies and regulated requirements and is an industry leader. Senior executives are regularly advised of all important operational issues and initiatives relating to HS&E by way of formal reporting processes. TCPL's HS&E management system and performance are assessed by an independent outside firm every three years or more often if the HS&E Committee requests it. The most recent assessment was conducted in November 2006 by Det Norsk Veritas. These assessments involve senior executive and employee interviews, review of policies, procedures, objectives, performance measurement and reporting.

TCPL's HS&E management system is modeled to the elements of the International Organization for Standardization's (ISO) standard for environmental management systems, ISO 14001. The HS&E management system facilitates the focus of resources on the areas of significant risk to the organization's HS&E business activities. The system highlights opportunities for improvement, enables TCPL to work towards defined HS&E expectations and objectives, and provides a competitive business advantage. Independent third party assessments, internal management system assessments and work place and facility planned inspections are used to evaluate the implementation effectiveness of the HS&E programs, processes and procedures, and confirms TCPL's compliance with regulatory requirements.

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

Environment

Climate change remains a serious issue for TCPL. The change of government in Canada in early 2006 resulted in a shift of focus from meeting environmental regulation targets to a broader emphasis on clean air as well as greenhouse gas emissions. The government of Canada released the *Clean Air Act* on October 19, 2006. At this time, however, the policy framework for the new regulations has not been released by the federal government and detailed sectoral targets and timeframes as well as compliance options have not been set. At a provincial level, the Québec government has passed legislation for a hydrocarbon royalty on industrial greenhouse gas emitters. The details as to how the royalty will be applied have not yet been determined but it is expected these details will be set in the coming year. In Alberta, the government has indicated it will continue with its own plan for implementing regulations to manage greenhouse gas emissions. It is yet to be determined how this effort will tie into a federal program.

In the United States, state level initiatives are under way to limit greenhouse gas emissions, particularly in the north-eastern United States and California. Details have not been finalized and the impact to TCPL's United States based assets is uncertain.

Despite this uncertainty, TCPL continues with its programs to manage greenhouse gas emissions from its assets, and to evaluate new processes and technologies that result in improved efficiencies and lower greenhouse gas emissions rates. In addition, TCPL remains involved in policy discussions in those jurisdictions where policy development is under way and where the Company has operations.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

The Canadian Alliance of Pipeline Landowners' Association (CAPLA) and two individual landowners commenced an action in 2003 under Ontario's *Class Proceedings Act*, 1992, against TCPL and Enbridge Inc. for damages of $500 million alleged to arise from the creation of a control zone within 30 metres of the pipeline pursuant to Section 112 of the *National Energy Board Act.* On November 20, 2006, the Ontario Superior Court granted the motion of TCPL and Enbridge Inc. for a dismissal of the case. CAPLA has now appealed the decision. TCPL continues to believe the claim is without merit and will vigorously defend the action. TCPL has made no provision for any potential liability. Any liability, if any, would be dealt with through the regulatory process.

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

TRANSFER AGENT AND REGISTRAR

TCPL's transfer agent and registrar is Computershare Trust Company of Canada with transfer facilities in the Canadian cities of Vancouver, Calgary, Winnipeg, Toronto, Montréal and Halifax.

INTEREST OF EXPERTS

Our auditors, KPMG LLP, have confirmed that they are independent within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Alberta.

RISK FACTORS

A discussion of the Company's risk factors can be found in the MD&A for the year ended December 31, 2006, which is incorporated by reference, under the headings "Pipelines – Opportunities and Developments", "Pipelines – Business Risks", "Energy – Opportunities and Developments", "Energy – Business Risks" and "Risks and Risk Management".

DIVIDENDS

All of TCPL's common shares are held by TransCanada and as a result, any dividends declared by TCPL on its common shares are paid to TransCanada. TCPL's Board of Directors has not adopted a formal dividend policy. The Board reviews the financial performance of TCPL quarterly and makes a determination of the appropriate level of dividends to be declared on its common shares in the following quarter. Provisions of various trust indentures and credit arrangements to which TCPL is a party, restrict TCPL's ability to declare and pay dividends to TransCanada and preferred shareholders under certain circumstances and, if such restrictions apply, they may, in turn, have an impact on TransCanada's ability to declare and pay dividends on its common and preferred shares. In the opinion of TCPL management, such provisions do not currently restrict or alter TCPL's ability to declare or pay dividends.

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

	2006	**2005**	**2004**
Dividends declared on common shares[(1)]	**$1.28**	$1.23	$1.17
Dividends declared on preferred shares, Series U	**$2.80**	$2.80	$2.80
Dividends declared on preferred shares, Series Y	**$2.80**	$2.80	$2.80

(1) Effective May 15, 2003, TCPL dividends have been declared in an amount equal to the aggregate dividend paid by TransCanada. The amounts presented reflect the aggregate amount divided by the total outstanding common shares of TCPL.

DESCRIPTION OF CAPITAL STRUCTURE

Share Capital

TCPL's authorized share capital consists of an unlimited number of common shares, of which 483,344,109 were issued and outstanding at Year End, and an unlimited number of first preferred shares and second preferred shares, issuable in series. There were 4,000,000 Series U and 4,000,000 Series Y first preferred shares issued and outstanding at Year End. The following is a description of the material characteristics of each of these classes of shares.

Common Shares

As the holder of all of TCPL's common shares, TransCanada holds all the voting rights in those common shares.

First Preferred Shares, Series U

Subject to certain limitations, the Board may, from time to time, issue first preferred shares in one or more series and determine for any such series, its designation, number of shares and respective rights, privileges, restrictions and conditions. The first preferred shares as a class, have, among others, provisions to the following effect.

The holders of the first preferred shares, Series U are entitled to receive as and when declared by the Board, fixed cumulative preferential cash dividends at an annual rate of $2.80 per share, payable quarterly.

The first preferred shares of each series shall rank on a parity with the first preferred shares of every other series, and shall be entitled to preference over the common shares and any other shares ranking junior to the first preferred shares with respect to the payment of dividends, the repayment of capital and the distribution of assets to TCPL in the event of a liquidation, dissolution or winding up of TCPL.

TCPL is entitled to purchase for cancellation, some or all of the first preferred shares, Series U outstanding at the lowest price which such shares are obtainable, in the opinion of the Board, but not exceeding $50.00 per share plus costs of purchase. Furthermore, TCPL may redeem, on or after October 15, 2013, some or all of the first preferred shares, Series U upon payment for each share at $50.00 per share.

Except as provided by the *Canada Business Corporations Act* or as referred to below, the holders of the first preferred shares will not have any voting rights nor will they be entitled to receive notice of or to attend shareholders' meetings unless and until TCPL fails to pay, in the aggregate, six quarterly dividends on the first preferred shares, Series U.

The provisions attaching to the first preferred shares as a class may be modified, amended or varied only with the approval of the holders of the first preferred shares as a class. Any such approval to be given by the holders of the first preferred shares may be given by the affirmative vote of the holders of not less than 66⅔ per cent of the first preferred shares represented and voted at a meeting or adjourned meeting of such holders.

First Preferred Shares, Series Y

The rights, privileges, restrictions and conditions attaching to the first preferred shares, Series Y are substantially identical to those attaching to the first preferred shares, Series U except that the first preferred shares, Series Y are redeemable by TCPL after March 5, 2014.

DEBT

The following table sets out the issuances by TCPL of senior unsecured notes with terms to maturity in excess of one year, during the 12 months ended December 31, 2006.

Date Issued	Issue Price per $1,000 Principal Amount of Notes	Aggregate Issue Price
January 13, 2006	$999.55	$299,865,000
March 20, 2006	US$997.21	US$498,605,000
October 3, 2006	$999.76	$399,904,000

There are no provisions associated with this debt that entitle debt holders to voting rights. From time to time, TCPL issues commercial paper for terms not exceeding nine months.

CREDIT RATINGS

The following table sets out the credit ratings assigned to those outstanding classes of securities of TCPL:

Overall	DBRS	Moody's	S&P
Senior Secured Debt *First Mortgage Bonds*	A	A2	A
Senior Unsecured Debt *Debentures* *Medium-term Notes*	A A	A2 A2	A– A–
Subordinated Debt	A (low)	A3	BBB+
Junior Subordinated Debt	Pfd-2	A3	BBB
Preferred Shares	Pfd-2 (low)	Baa1	BBB
Commercial Paper	R-1 (low)	P-1	–
Trend/Rating Outlook	Stable[1]	Stable	Negative

(1) At February 22, 2007, the DBRS rating was confirmed as stable. At December 31, 2006, the rating was under review. Discussed further in the DBRS section below.

Credit ratings are intended to provide investors with an independent measure of credit quality of an issue of securities. Credit ratings are not recommendations to purchase, hold or sell securities and do not address the market price or suitability of a specific security for a particular investor. There is no assurance that any rating will remain in effect for any given period of time or that any rating will not be revised or withdrawn entirely by a rating agency in the future if, in its judgment, circumstances so warrant. A description of the rating agencies' credit ratings listed in the table above is set out below.

Dominion Bond Rating Service (DBRS)

DBRS has different rating scales for short and long-term debt and preferred shares. "High" or "low" grades are used to indicate the relative standing within a rating category. The absence of either a "high" or "low" designation indicates the rating is in the "middle" of the category. The R-1 (low) rating assigned to TCPL's short-term debt is the third highest of ten rating categories and indicates satisfactory credit quality. The overall strength and outlook for key liquidity, debt and profitability ratios is not normally as favourable as with higher rating categories, but these considerations are still respectable. Any qualifying negative factors that exist are considered manageable, and the entity is normally of sufficient size to have some influence in its industry. The A ratings assigned to TCPL's senior secured and senior unsecured debt and the A (low) rating assigned to its subordinated debt are the third highest of ten categories for long-term debt. Long-term debt rated A is of satisfactory credit quality. Protection of interest and principal is still substantial, but the degree of strength is less than that of AA rated entities. While a respectable rating, entities in the A category are considered to be more susceptible to adverse economic conditions and have greater cyclical tendencies than higher rated entities. The Pfd-2 and Pfd-2 (low) ratings assigned to TCPL's junior subordinated debt and preferred shares are the second highest of six rating categories for preferred shares. Preferred shares rated Pfd-2 are of satisfactory credit quality. Protection of dividends and principal is still substantial; however, earnings, the balance sheet and coverage ratios are not as strong as Pfd-1 rated companies.

Subsequent to TransCanada's December 22, 2006 announcement of its plans to acquire ANR, DBRS put TCPL's rating under review with developing implications. On February 22, 2007, DBRS confirmed the rating of TCPL with a stable trend and subsequently removed TCPL's rating from under review.

Moody's Investor Services (Moody's)

Moody's has different rating scales for short and long-term obligations. Numerical modifiers 1, 2 and 3 are applied to each rating classification, with 1 being the highest and 3 being the lowest. The P-1 rating assigned to TCPL's short-term debt is the highest of four rating categories and indicates a superior ability to repay short-term debt obligations. The A2 ratings assigned to TCPL's senior secured and senior unsecured debt and the A3 ratings assigned to its subordinated debt and junior subordinated debt are the third highest of nine rating categories for long-term obligations. Obligations rated A are considered upper-medium grade and are subject to low credit risk. The Baa1 rating assigned to TCPL's preferred shares is the fourth highest of nine rating categories for long-term obligations. Obligations rated Baa are subject to moderate credit risk, are considered medium-grade, and as such, may possess certain speculative characteristics.

Standard & Poor's (S&P)

S&P has different rating scales for short and long-term obligations. Ratings may be modified by the addition of a plus (+) or minus (–) sign to show the relative standing within a particular rating category. The A and A– ratings assigned to TCPL's senior secured and senior unsecured debt, respectively, are the third highest of ten rating categories for long-term obligations. An A rating indicates the obligor's capacity to meet its financial commitment is strong; however, the obligation is somewhat susceptible to the adverse effects of changes in circumstances and economic conditions than obligations in higher rated categories. The BBB+ rating assigned to TCPL's subordinated debt and the BBB ratings assigned to its junior subordinated debt and preferred shares are the fourth highest of ten rating categories for long-term obligations. An obligation rated BBB exhibits adequate protection parameters. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitment on the obligation.

MARKET FOR SECURITIES

TransCanada holds all the common shares of TCPL and these are not listed on a public market. TransCanada's common shares are listed on the Toronto Stock Exchange ("*TSX*") and the New York Stock Exchange ("*NYSE*"). The following table sets forth the reported monthly high and low closing prices and monthly trading volumes of the common shares of TransCanada on the TSX for the period indicated:

Common Shares (TRP)

Month	High ($)	Low ($)	Volume Traded
December 2006	40.77	38.95	20,122,013
November 2006	39.14	36.50	21,499,249
October 2006	36.34	33.95	19,350,398
September 2006	35.97	34.65	22,209,089
August 2006	36.35	34.86	22,367,872
July 2006	34.75	31.70	17,073,298
June 2006	34.50	31.55	23,121,387
May 2006	33.50	30.94	30,019,492
April 2006	34.73	33.02	20,961,283
March 2006	35.38	33.67	25,708,683
February 2006	35.25	34.57	21,932,670
January 2006	37.01	34.75	24,218,158

In addition, the following securities of TCPL are listed:

TCPL's Cumulative Redeemable First Preferred Shares, Series U (TCA.PR.X) and Series Y (TCA.PR.Y), which are listed on the TSX

	Series U			Series Y		
Month	High ($)	Low ($)	Volume Traded	High ($)	Low ($)	Volume Traded
December 2006	55.75	53.55	247,895	55.70	53.85	24,486
November 2006	55.75	54.66	45,230	55.65	54.60	37,280
October 2006	55.25	53.80	72,586	55.30	53.75	93,736
September 2006	53.70	52.80	28,346	54.50	52.70	37,876
August 2006	53.00	52.25	27,981	53.40	52.25	76,794
July 2006	52.90	51.65	28,901	52.49	51.72	150,491
June 2006	53.00	51.32	31,406	53.25	51.55	41,185
May 2006	52.50	51.10	36,962	52.15	51.27	46,570
April 2006	53.50	51.45	38,063	53.50	51.28	34,017
March 2006	54.10	53.30	43,092	54.45	53.55	40,666
February 2006	55.19	53.87	46,321	55.00	54.00	37,332
January 2006	54.25	53.41	32,091	54.85	53.75	24,292

TCPL's 8.25% preferred securities due 2047, which are listed on the NYSE (TCAPr)

Month	High ($)	Low ($)	Volume Traded
December 2006	26.35	25.68	106,700
November 2006	26.15	25.66	120,400
October 2006	26.20	25.76	99,500
September 2006	26.16	25.55	104,800
August 2006	26.06	25.59	77,000
July 2006	25.73	25.46	133,800
June 2006	26.25	25.31	153,500
May 2006	25.49	25.31	136,000
April 2006	25.40	25.21	136,700
March 2006	26.03	25.19	225,300
February 2006	25.90	25.70	97,500
January 2006	25.89	25.60	127,000

In addition, TCPL's 16.50% First Mortgage Pipe Line Bonds due 2007, are listed on the London Stock Exchange; however, this issue is thinly traded and accounts for approximately $50 million or less than one per cent of TCPL's consolidated capital structure.

DIRECTORS AND OFFICERS

As of February 22, 2007, the directors and officers of TransCanada as a group beneficially owned, directly or indirectly, have exercisable options to own, or exercised control or direction over, 1,676,238 common shares of TransCanada which constitutes less than one per cent of TransCanada's common shares and less than one per cent of the voting securities of any of its subsidiaries or affiliates. TransCanada collects this information from its directors and officers but otherwise has no direct knowledge of individual holdings of its securities.

Directors

Set forth below are the names of the thirteen directors who served on TCPL's Board at Year End, together with their jurisdictions 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. Positions and offices held with TransCanada are also held by such person at TCPL.

Name and Place of Residence	Principal Occupation During the Five Preceding Years	Director Since
Kevin E. Benson[1] Wheaton, Illinois United States	President and Chief Executive Officer, Laidlaw International, Inc. (transportation services) since June 2003, and Laidlaw, Inc. from September 2002 to June 2003. President and Chief Executive Officer, The Insurance Corporation of British Columbia from December 2001 until September 2002. Director, Laidlaw International, Inc.	2005
Derek H. Burney, O.C. Ottawa, Ontario Canada	Senior strategic advisor at Ogilvy Renault LLP (law firm). President and Chief Executive Officer, CAE Inc. (technology) from October 1999 to August 2004. Lead director at Québecor World Inc. (communications and media) from April 2003 to November 2005. Chairman, CanWest Global Communications Corp. and Lead Director, Shell Canada Limited.	2005
Wendy K. Dobson Uxbridge, Ontario Canada	Professor, Rotman School of Management and Director, Institute for International Business, University of Toronto (education). Vice Chair, Canadian Public Accountability Board. Director, Toronto-Dominion Bank.	1992
E. Linn Draper Lampasas, Texas United States	Corporate Director. Chairman, President and Chief Executive Officer of Columbus, Ohio-based American Electric Power Co., Inc. from April 1993 to April 2004. Director, Alliance Data Systems Corporation, Lead Director, Alpha Natural Resources, Inc., Chair of NorthWestern Corporation and Director, Temple-Inland Inc.	2005
The Hon. Paule Gauthier, P.C., O.C., O.Q., Q.C. Québec, Québec Canada	Senior Partner, Desjardins Ducharme LLP (law firm). Director, Cossette Communication Group Inc., Institut Québecois des Hautes Études Internationales, Laval University, Metro Inc., RBC Dexia Investor Services Trust, Rothmans Inc. and Royal Bank of Canada.	2002

Name and Place of Residence	Principal Occupation During the Five Preceding Years	Director Since
Kerry L. Hawkins Winnipeg, Manitoba Canada	Corporate Director. President, Cargill Limited (agricultural) from September 1982 to December 2005. Director, NOVA Chemicals Corporation and Shell Canada Limited.	1996
S. Barry Jackson Calgary, Alberta Canada	Corporate Director. Chair of the Board, TransCanada since April 2005. Chair of Resolute Energy Inc. (oil and gas) from January 2002 to April 2005 and Chair of Deer Creek Energy Limited (oil and gas) from April 2001 to September 2005. Director, Cordero Energy Inc. and Nexen Inc.	2002
Paul L. Joskow Brookline, Massachusetts United States	Professor, Department of Economics, Massachusetts Institute of Technology (MIT) (education). Director of the MIT Center for Energy and Environmental Policy Research. Director, National Grid PLC and Putnam Mutual Funds.	2004
Harold N. Kvisle Calgary, Alberta Canada	President and Chief Executive Officer, TransCanada since May 2003 and TCPL since May 2001. Director, Bank of Montreal and PrimeWest Energy Inc. Chair of the Mount Royal College Board of Governors.	2001
John A. MacNaughton, C.M. Toronto, Ontario Canada	Corporate Director. Chairman of the Canadian Trading and Quotation System Inc. Founding President and Chief Executive Officer of the Canadian Pension Plan Investment Board from 1999 to 2005. Director, Nortel Networks Corporation.	2006
David P. O'Brien(2) Calgary, Alberta Canada	Corporate Director. Chair, EnCana Corporation (oil and gas) since April 2002 and Chair, Royal Bank of Canada since February 2004. Chair and Chief Executive Officer of PanCanadian Energy Corporation (oil and gas) from October 2001 to April 2002. Director, Focus Energy Trust, Molson Coors Brewing Company, and C.D. Howe Institute. Chancellor, Concordia University.	2001
Harry G. Schaefer, F.C.A. Calgary, Alberta Canada	President, Schaefer & Associates (business advisory services). Vice-Chair of the Board, TransCanada since May 2003 and TCPL since June 1998. Director, Agrium Inc. and Trustee of Fording Canadian Coal Trust.	1987
D. Michael G. Stewart Calgary, Alberta Canada	Principal of the privately held Ballinacurra Group of Investment Companies since March 2002. A number of senior executive positions with Westcoast Energy Inc. (energy infrastructure, services and utilities) including Executive Vice-President, Business Development from September 1993 to March 2002. Director Canadian Energy Services Inc. and Pengrowth Corporation.	2006

(1) Mr. Benson was President and Chief Executive Officer of Canadian Airlines International Ltd. from July 1996 to February 2000. Canadian Airlines International Ltd. filed for protection under the *Companies' Creditors Arrangement Act* (Canada) and applicable bankruptcy protection statutes in the United States on March 24, 2000.

(2) Mr. O'Brien was a director of Air Canada on April 1, 2003 when Air Canada filed for protection under the *Companies' Creditors Arrangement Act* (Canada). Mr. O'Brien resigned as a director from Air Canada in November 2003.

TransCanada will hold its annual meeting of common shareholders on Friday, April 27, 2007, and subject to the election of the thirteen nominees proposed for election to TransCanada's board, these directors will be elected by the sole shareholder of TCPL as directors of TCPL on that date. Each director holds office until TCPL's next annual meeting or until his or her successor is earlier elected or appointed.

Mr. Stewart was elected to the Board on April 28, 2006 and Mr. MacNaughton was appointed to the Board on June 14, 2006. In addition, Mr. Schaefer will retire effective April 27, 2007 and Mr. W.T. Stephens has been selected as a new nominee for election. Mr. Stephens previously served on the Board from 2000 to 2005.

Officers

All of the executive officers and corporate officers of TransCanada reside in Calgary, Alberta, Canada. Current positions and offices held with TransCanada are also held by such person at TCPL. As of the date hereof, 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.
Russell K. Girling	President, Pipelines	Executive Vice-President, Corporate Development and Chief Financial Officer, March 2003 to June 2006. Prior to March 2003, Executive Vice-President and Chief Financial Officer.
Gregory A. Lohnes	Executive Vice-President and Chief Financial Officer	Prior to June 2006, President and Chief Executive Officer of Great Lakes Gas Transmission Company.
Dennis J. McConaghy	Executive Vice-President, Pipeline Strategy and Development	Prior to June 2006, Executive Vice-President, Gas Development.
Sean McMaster[1]	Executive Vice-President, Corporate and General Counsel and Chief Compliance Officer	Executive Vice-President, General Counsel and Chief Compliance Officer from October 2006 to January 2007. Prior to October 2006, General Counsel and Chief Compliance Officer. Prior thereto, General Counsel since June 2006. Vice-President, Transactions, Power Division, TCPL from April 2003 to June 2006. President, TransCanada Power Services Ltd., general partner of TransCanada Power LP, from June 2003 to August 2005. Prior to June 2003, Vice-President, Power Services Ltd.
Alexander J. Pourbaix	President, Energy	Executive Vice-President, Power March 2003 to June 2006. Prior to March 2003, Executive Vice-President, Power Development.
Sarah E. Raiss	Executive Vice-President, Corporate Services	Executive Vice-President, Corporate Services.
Donald M. Wishart	Executive Vice-President, Operations and Engineering	Prior to March 2003, Senior Vice-President, Field Operations.

(1) Mr. McMaster was appointed Executive Vice-President, General Counsel and Chief Compliance Officer on October 30, 2006.

Corporate Officers

Name	Present Position Held	Principal Occupation During the Five Preceding Years
Ronald L. Cook	Vice-President, Taxation	Prior to April 2002, Director, Taxation.
Donald J. DeGrandis	Corporate Secretary	Prior to June 2006, Associate General Counsel, Corporate.
Garry E. Lamb	Vice-President, Risk Management	Vice-President, Risk Management.
Donald R. Marchand	Vice-President, Finance and Treasurer	Vice-President, Finance and Treasurer.
G. Glenn Menuz	Vice President and Controller	Prior to June 2006, Assistant Controller.

CORPORATE GOVERNANCE

The Board and the members of TCPL's management are committed to the highest standards of corporate governance. TCPL's corporate governance practices comply with the governance rules of the Canadian Securities Administrators ("*CSA*"), those of the NYSE applicable to foreign issuers and of the U.S. Securities and Exchange Commission ("*SEC*"), and those mandated by the United States *Sarbanes-Oxley Act of 2002* ("*SOX*"). As a non-U.S. company, TCPL is not required to comply with most of the NYSE corporate governance listing standards; however, except as summarized on its website at www.transcanada.com, the governance practices followed are in compliance with the NYSE standards for U.S. companies in all significant respects. TCPL is in compliance with the CSA's Multilateral Instrument 52-110 pertaining to audit committees. TCPL is also in compliance with the CSA's National Policy 58-201, Corporate Governance Guidelines, and National Instrument 58-101, Disclosure of Corporate Governance Practices (collectively, the "*Canadian Governance Guidelines*"). In 2005, the Canadian Governance Guidelines came into effect and for purposes of the TSX replaced the TSX Corporate Governance Guidelines. Further information about TCPL's corporate governance can be found on TransCanada's website under the heading "Corporate Governance".

Compliance with Canadian Governance Guidelines

The "Disclosure of Corporate Governance Practices" addressing disclosure in accordance with the Canadian Governance Guidelines is attached to this AIF at Schedule "B". It has been approved by the Governance Committee and the Board.

Audit Committee

TCPL has an Audit Committee which is responsible for assisting the Board in overseeing the integrity of TCPL's financial statements and compliance with legal and regulatory requirements and in ensuring the independence and performance of TCPL's internal and external auditors. The members of the Audit Committee at Year End were Harry G. Schaefer (Chair), Kevin E. Benson, Derek H. Burney, Paule Gauthier, Paul L. Joskow and John A. MacNaughton. Mr. Jackson is a non-voting member of the Audit Committee.

The Board believes that the composition of the Audit Committee reflects a high level of financial literacy and expertise. Each member of the Audit Committee has been determined by the Board to be "independent" and "financially literate" within the meaning of the definitions under Canadian and U.S. securities laws and the NYSE rules. In addition, the Board has determined that Mr. Schaefer is an "Audit Committee Financial Expert" as that term is defined under U.S. securities laws. The Board has made these determinations based on the education and breadth and depth of experience of each member of the Audit Committee. The following is a description of the education and experience, apart from their respective roles as directors of TCPL, of each member of the Audit Committee that is relevant to the performance of his or her responsibilities as a member of the Audit Committee:

Mr. Schaefer earned a Bachelor of Commerce from the University of Alberta, is a Chartered Accountant and is a Fellow of the Canadian Institute of Chartered Accountants. He serves on and has served on the boards of several public companies and other organizations, including as Chairman of the Alberta Chapter of the Institute of Corporate Directors, and on the audit committees of certain of those boards. Mr. Schaefer has also held several executive positions with public companies. He is currently Chair of the Audit Committee and of the audit committees of two other public companies.

Mr. Benson earned a Bachelor of Accounting from the University of Witwatersrand (South Africa) and was a member of the South African Society of Chartered Accountants. Mr. Benson is the President and Chief Executive Officer of Laidlaw International, Inc. In prior years, he has held several executive positions including one as President and Chief Executive Officer of Canadian Airlines International Ltd. and has served on other public company boards.

Mr. Burney earned a Bachelor of Arts (Honours) and Master of Arts from Queen's University. He is currently a senior strategic advisor at Ogilvy Renault LLP. Mr. Burney previously served as President and Chief Executive Officer of CAE Inc. and as Chairman and Chief Executive Officer of Bell Canada International Inc. Mr. Burney is the lead director at Shell Canada Limited and the Chairman of CanWest Global Communications Corp. He has served on one other organization's audit committee.

Mme. Gauthier earned a Bachelor of Arts from the Collège Jésus-Marie de Sillery, a Bachelor of Laws from Laval University and a Master of Laws in Business Law (Intellectual Property) from Laval-University. She has served on the boards of several public companies and other organizations and on the audit committees of certain of those boards.

Mr. Joskow earned a Bachelor of Arts with Distinction in Economics from Cornell University, a Masters of Philosophy in Economics from Yale University, and Ph.D. in Economics from Yale University. He is currently a Professor, Department of Economics, Massachusetts Institute of Technology. He has served on the boards of several public companies and other organizations and on the audit committees of certain of those boards.

Mr. MacNaughton earned a Bachelor of Arts in Economics from the University of Western Ontario. Mr. MacNaughton is currently the Chairman of Canadian Trading and Quotation System Inc. In prior years, he has held several executive positions including founding President and Chief Executive Officer of the Canadian Pension Plan Investment Board and President of Nesbitt Burns Inc. He is currently the Chair of an audit committee of one other public company.

The Charter of the Audit Committee can be found in Schedule "E" of this AIF and on TransCanada's website under the Corporate Governance – Board Committees page, at the link specified above under the heading "Corporate Governance".

Pre-Approval Policies and Procedures

TCPL's Audit Committee has adopted a pre-approval policy with respect to permitted non-audit services. Under the policy, the Audit Committee has granted pre-approval for specified non-audit services. For engagements of $25,000 or less which are not within the annual pre-approved limit, approval by the Audit Committee is not required, and for engagements between $25,000 and $100,000, approval of the Audit Committee Chair is required, and the Audit Committee is to be informed of the engagement at the next scheduled Audit Committee meeting. For all engagements of $100,000 or more, pre-approval of the Audit Committee is required. In all cases, regardless of the dollar amount involved, where there is a potential for conflict of interest involving the external auditor to arise on an engagement, the Audit Committee Chair must pre-approve the assignment.

To date, TCPL has not approved any non-audit services on the basis of the de-minimis exemptions. All non-audit services have been pre-approved by the Audit Committee in accordance with the pre-approval policy described above.

External Auditor Service Fees

The aggregate fees for external auditor services rendered by the External Auditor for the TransCanada group of companies for the 2006 and 2005 fiscal years, are shown in the table below:

Fee Category	2006	2005	Description of Fee Category
	(millions of dollars)		
Audit Fees	**4.94**	3.15	Aggregate fees for audit services rendered by TCPL's External Auditor for the audit of TransCanada's annual financial statements or services provided in connection with statutory and regulatory filings or engagements, the review of interim consolidated financial statements and information contained in various prospectuses and other offering documents.
Audit Related Fees	**0.07**	0.11	Aggregate fees for assurance and related services rendered by TCPL's External Auditor that are reasonably related to performance of the audit or review of TransCanada's financial statements and are not reported as Audit Fees. The nature of services comprising these fees related to the audit of the financial statements of TCPL's certain pension plans.
Tax Fees	**0.22**	0.12	Aggregate fees rendered by TCPL's External Auditor for primarily tax compliance and tax advice. The nature of these services consisted of: tax compliance including the review of Canadian and U.S. income tax returns; and tax items and tax services related to domestic and international taxation including income tax, capital tax and Goods and Services Tax.
All Other Fees	**0.07**	0.14	Aggregate fees for products and services other than those reported in this table above rendered by TCPL's External Auditor. The nature of these services consisted of advice with respect to TCPL's compliance with SOX.
Total	**5.30**	3.52	

Other Board Committees

In addition to the Audit Committee, TCPL has three other Board committees: the Governance Committee, the Health, Safety and Environment Committee and the Human Resources Committee. Mr. Jackson, the Chair of the Board, sits on each of Board's committees as a non-voting member. The voting members of each of these committees, as of Year End, are identified below:

Governance Committee

Chair: W.K. Dobson
Members: D.H. Burney
P.L. Joskow
D.P. O'Brien
H.G. Schaefer

Health, Safety & Environment Committee

Chair: E.L. Draper
Members: P. Gauthier
K.L. Hawkins
D.M.G. Stewart
J.A. MacNaughton

Human Resources Committee

Chair: K.L. Hawkins
Members: W.K. Dobson
E.L. Draper
D.P. O'Brien

The charters of the Governance Committee, the Health, Safety & Environment Committee and the Human Resources Committee can be found on TransCanada's website under the Corporate Governance – Board Committees page at the link specified below.

Further information about TCPL's Board committees and corporate governance can be found in Schedule "D" attached to this AIF or on TransCanada's website located at: http://www.transcanada.com/company/board_committees.html.

Conflicts of Interest

Directors and officers of TCPL and its subsidiaries are required to disclose the existence of existing or potential conflicts in accordance with TCPL policies governing directors and officers and in accordance with the *Canada Business Corporations Act*. Although some of the directors sit on boards or may be otherwise associated with companies that ship natural gas on TCPL's pipeline systems, TCPL as a common carrier in Canada cannot, under its tariff, deny transportation service to a credit-worthy shipper. Further, due to the specialized nature of the industry, TCPL believes that it is important for its Board to be composed of qualified and knowledgeable directors, so some of them must come from oil and gas producers and shippers; the Governance Committee closely monitors relationships among directors to ensure that business associations do not affect the Board's performance. In a circumstance where a director declares an interest in any material contract or material transaction being considered at a meeting, the director generally absents himself or herself from the meeting during the consideration of the matter, and does not vote on the matter.

INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

As at the date hereof and since the beginning of the most recently completed financial year, no executive officer, director, or former executive officer or director of TCPL or its subsidiaries, no proposed nominee as a director of TCPL, or any associate of any such director, executive officer or proposed nominee has been indebted to TCPL or any of its subsidiaries. There is no indebtedness of any such person to another entity that is the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by TCPL or any of its subsidiaries.

SECURITIES OWNED BY DIRECTORS

The following table sets out the number of each class of securities of TransCanada or any of its affiliates beneficially owned, directly or indirectly, or over which control or direction is exercised and the number of deferred share units credited to each director, as of February 22, 2007.

Director	Securities Owned, Controlled or Directed(1)	Deferred Share Units(2)
K. Benson	3,000	7,857
D. Burney	1,000	7,310
W. Dobson	3,000	29,584
E.L. Draper	0	7,647
P. Gauthier	1,000	21,314
K. Hawkins	3,898(3)	32,875
S.B. Jackson	39,000	13,931
P.L. Joskow	5,000	10,423
H. Kvisle	607,516(4)	0
J. MacNaughton	30,000	3,464
D. O'Brien	18,771	21,314
H. Schaefer	23,214(5)	20,208
D.M.G. Stewart	7,500(6)	3,026

(1) 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 each of the nominees. Except as indicated in these notes, the nominees have sole voting and dispositive power with respect to the securities listed above. As to each class of shares of TransCanada, its subsidiaries and affiliates, the percentage of outstanding shares beneficially owned by any one director or nominee or by all directors and officers of TransCanada as a group does not exceed 1% of the class outstanding.

(2) The value of a deferred share unit is tied to the value of TransCanada's common shares. A deferred share unit is a bookkeeping entry, equivalent to the value of a TransCanada common share, and does not entitle the holder to voting or other shareholder rights, other than the accrual of additional deferred share units for the value of dividends. A director cannot redeem deferred share units until the director ceases to be a member of the Board. Canadian directors can then redeem their units for cash or shares while U.S. directors can only redeem their units for cash. Mr. Kvisle is an employee of TransCanada and participates is the ESU program; he does not participate in the DSU program.

(3) The shares listed include 2,500 shares held by Mr. Hawkins' wife.

(4) Securities owned, controlled or directed include common shares that Mr. Kvisle has a right to acquire through the exercise of stock options that are vested under the Stock Option Plan, which is described elsewhere in this AIF. Directors as such do not participate in the Stock Option Plan. Mr. Kvisle, as an employee of TransCanada, has the right to acquire 474,500 common shares under vested stock options, which amount is included in this column.

(5) The shares listed do not include 700 common shares held by Mr. Schaefer's wife and 5,500 common shares held by a company controlled by Mr. Schaefer's wife. Mr. Schaefer disclaims beneficial ownership of, or control or direction over, such shares.

(6) The shares listed include 500 shares held by Mr. Stewart's wife.

COMPENSATION OF DIRECTORS

Unless as otherwise defined in the following sections, all capitalized terms used from herein shall have the same meaning ascribed to them in TransCanada's Management Proxy Circular (the "*Proxy Circular*"), dated February 22, 2007.

TransCanada's directors also serve as directors of TCPL. An aggregate fee is paid for serving on the Boards of TransCanada and TCPL. Since TransCanada does not hold any assets directly, other than the common shares of TCPL and receivables from certain of TransCanada's subsidiaries, all directors' costs are assumed by TCPL according to a management services agreement between the two companies. The meetings of the boards and committees of TransCanada and TCPL run concurrently.

Minimum Share Ownership Guidelines

The Board believes that directors can more effectively represent the interests of shareholders if they have a significant investment in the common shares of TransCanada, or their economic equivalent. As a result, TransCanada requires each director (other than Mr. Kvisle who is subject to executive share ownership guidelines) to acquire and hold a minimum number of common shares, or their economic equivalent, equal in value to five times the director's annual cash retainer fee. Directors have a maximum of five years to reach this level of ownership. The level of ownership can be achieved by direct purchase of common shares, by participation in the TransCanada Dividend Reinvestment Plan or by means of directing cash retainer fees (or any other fees subsequent to January 1, 2007) into, or otherwise acquiring deferred share units ("*DSUs*") under, the Share Unit Plan for Non-Employee Directors (1998) (the "*DSU Plan*"), described under the heading "Share Unit Plan for Non-Employee Directors" below.

All of the current directors have achieved the minimum share ownership.

Board and Committee Remuneration

TCPL's director compensation practices are designed to reflect the size and complexity of TCPL and to reinforce the emphasis TCPL places on shareholder value by linking a portion of directors' compensation to the value of TransCanada's common shares. The market competitiveness of director compensation is assessed against the Comparator Group (as defined under the heading "Executive Compensation and Other Information – Report on Executive Compensation") and a general industry sample of Canadian companies of similar size and scope to TCPL.

For the financial year ended December 31, 2006, each director who was not an employee of TCPL, other than the Chair, was paid in quarterly installments in arrears as follows:

Retainer fee	$30,000 per annum
Committee retainer fee	$3,000 per annum
Committee Chair retainer fee	$4,000 per annum
Board and Committee attendance fee	$1,500 per meeting
Committee Chair attendance fee	$1,500 per meeting

The Chair, who was paid none of the directors' fees outlined above, was paid a retainer fee of $300,000 per annum in respect of his duties as Chair, $3,000 per chaired Board meeting, and was reimbursed for certain office and other expenses. Half of Mr. Jackson's retainer fee for acting as Chair was paid in DSUs. The Vice-Chair was paid a retainer fee of $12,000 per annum in respect of his duties as Vice-Chair, in addition to his other director's fees as outlined above. Each committee chair is entitled to claim a per diem for time spent on committee activities outside of the committee meetings. Additionally, directors other than the Chair and the CEO receive, in respect of their service as directors, an annual grant of units under the DSU Plan, see "Share Unit Plan for Non-Employee Directors" below for details on this plan. Fees are paid quarterly and are pro-rated from the date of the director's appointment to the Board and the relevant committees.

TCPL pays a travel fee of $1,500 per meeting for which round trip travel time exceeds three hours, and reimburses the directors for out-of-pocket expenses incurred in attending such meetings.

Directors who are U.S. residents are paid the same amounts as outlined above in U.S. dollars.

Fees Paid to Directors in 2006

The following table sets out the total fees paid in cash and the value of the DSUs awarded or credited for each non-employee director in 2006 as at the date of the grant, unless otherwise stated. Mr. Kvisle, as an employee of TCPL, receives no cash fees or DSUs as a director.

Directors generally direct their retainer fee to be paid in DSUs until the minimum share ownership guideline is reached, and are always entitled to direct their retainer fee (and, subsequent to January 1, 2007, any other fees) to be paid in DSUs. In 2006, K.E. Benson, D.H. Burney, E.L. Draper, P. Gauthier, K.L. Hawkins, J.A. MacNaughton and D.P. O'Brien received their retainer fees in DSUs and half of Mr. Jackson's retainer fee for acting as Chair was paid in DSUs. For further information on the DSU Plan, see the description under the heading "Share Unit Plan for Non-Employee Directors" below.

Name	Board Retainer Fee	Committee Retainer Fee	Committee Chair Retainer Fee	Board Attendance Fee	Committee Attendance Fee	Travel Fee	Strategic Issues and Strategic Planning Sessions	Total Fees Paid in Cash	Total Value of DSUs Credited(2)	Total Cash and Value of DSUs Credited
D.D. Baldwin(3)(4)	$15,000	$3,000	$2,000	$4,500	$6,000	$0	$1,500	$32,000	$0	$32,000
K.E. Benson(5)	30,000	3,000	N/A	15,000	9,000	13,500	4,500	45,000	136,290	181,290
D.H. Burney	30,000	5,250	N/A	12,000	6,000	10,500	4,500	38,250	136,290	174,540
W.K. Dobson(3)	30,000	6,000	4,000	16,500	12,000	9,000	6,000	83,500	106,290	189,790
E.L. Draper(3)(5)(6)	30,000	6,000	3,000	16,500	15,000	12,000	6,000	58,500	136,290	194,790
P. Gauthier(3)(6)	30,000	6,000	N/A	16,500	16,500	10,500	6,000	55,500	136,290	191,790
K.L. Hawkins(3)	30,000	6,000	4,000	15,000	16,500	10,500	6,000	58,000	136,290	194,290
S.B. Jackson(6)(7)	300,000	N/A	N/A	33,000	1,500	4,500	4,500	193,500	150,000	343,500
P.L. Joskow(5)	30,000	6,000	N/A	16,500	12,000	10,500	6,000	81,000	106,290	187,290
J.A. MacNaughton	22,500	4,500	N/A	10,500	6,000	4,500	1,500	33,264	122,526	155,790
D.P. O'Brien	30,000	6,000	N/A	13,500	4,500	1,500	1,500	27,000	136,290	163,290
H.G. Schaefer(3)(8)	42,000	6,000	4,000	16,500	21,000	3,000	6,000	98,500	106,290	204,790
D.M.G. Stewart(6)	22,500	2,250	N/A	12,000	3,000	6,000	3,000	48,750	106,290	155,040

(1) Fees are aggregate amounts respecting duties performed on both TransCanada and TCPL Boards.

(2) Total DSUs credited includes the amount of the retainer fee elected to be received in DSUs and the grant of 3,000 DSUs made in September 2006 which had an initial cash value of approximately $35.43 per DSU.

(3) The committee chair retainer fee amount includes per diem fees paid in addition to the committee retainer fee in respect of duties performed and meetings held in preparation for committee meetings. Mme. Gauthier chaired one meeting of the Health, Safety and Environment Committee in Mr. Baldwin's absence.

(4) Mr. Baldwin retired from the Board on April 28, 2006.

(5) U.S. directors are paid or credited these amounts, including DSU equivalents, based on U.S. dollars.

(6) The committee attendance fee includes the amount of $1,500 for a Health, Safety and Environment Committee off-site facility visit.

(7) Mr. Jackson's Board attendance fee includes the fee of $3,000 in respect of each Board meeting chaired. Half of Mr. Jackson's retainer fee for acting as Chair was paid in DSUs.

(8) Mr. Schaefer's retainer fee amount includes the fee of $12,000 in respect of duties performed as Vice-Chair.

Share Unit Plan for Non-Employee Directors

The Share Unit Plan for Non-Employee Directors (1998) was established in 1998 and was last amended and restated effective January 1, 2007. Prior to the January 1, 2007 amendment, the DSU Plan allowed eligible Board members, on a quarterly basis, to direct their annual directors' retainer fee or, at the discretion of the Governance Committee, other Board-related fees, to acquire units representing the right to acquire common shares or their cash equivalent. Subsequent to January 1, 2007, Board members are permitted to elect to receive any portion of their fees in DSUs. The DSU Plan also allows the Governance Committee to grant units as additional directors' compensation. In September 2006, a grant of 3,000 DSUs was made to each director other than the Chair and the CEO.

Initially the value of a DSU is equal to the market value of a common share at the time the directors are credited with the units. Thus each grant of 3,000 DSUs in September 2006 had an initial cash value of approximately $106,290. The value of a DSU, when redeemed, is equivalent to the market value of a common share at the time the redemption takes place. In addition, at the time dividends are declared and paid on the common shares, each DSU accrues an amount equal to such dividends, which amount is then reinvested in additional DSUs at a price equal to the then market value of a common share. DSUs cannot be redeemed until the director ceases to be a member of the Board. Canadian directors may redeem for cash or common shares at their option. U.S. directors may only redeem for cash.

EXECUTIVE COMPENSATION AND OTHER INFORMATION

Report on Executive Compensation

The following is the Human Resources Committee (the "*Committee*") Report on Executive Compensation which outlines the policies of the Committee for determining compensation of TCPL's Presidents, Executive Vice-Presidents and the CEO (collectively, the "*Executives*").

Committee Information

COMPOSITION OF THE COMMITTEE

The Committee is composed of four directors, K.L. Hawkins (chair), W.K. Dobson, E.L. Draper, and D.P. O'Brien, all of whom are independent, as required by securities regulations. There are no interlocking relationships between the members of the Committee or between any member of the Committee and any of TCPL's current Executives. The Committee reports to the Board on all material matters considered, recommended or approved by the Committee.

For further information on the composition and mandate of the Committee please refer to Schedule "D" "Description of Board Committees and their Charters – Human Resources Committee". For further information on the independence of the Committee members please refer to "Schedule "B" – Disclosure of Corporate Governance Practices – Board of Directors".

COMMITTEE PROCESSES

The Committee recognizes the importance of maintaining sound governance practices for the development and administration of executive compensation and benefit programs, and has instituted processes that enhance the Committee's ability to effectively carry out its responsibilities. Examples of process steps that the Committee uses include:

- Holding *in-camera* sessions without Company management present prior to and following every regularly scheduled Committee meeting;
- Hiring independent consultants and advisors and requiring their attendance at specific Committee meetings;
- Annually approving a Committee checklist that sets out the timetable of all regularly occurring accountabilities and that provides context for the discussion of related items;
- Using a two step review process where most recurring items are provided for the Committee's initial review at a meeting prior to the approval meeting;
- Conducting annual reviews of detailed compensation tally sheets and modelled compensation outcomes for the Executives;
- Granting of the vast majority of stock options once per year during the concurrent annual deliberation of Total Direct Compensation for the Executives; and
- Transparent disclosure of compensation policies and actions.

The Committee directs management to gather information on its behalf, and provide initial analysis and commentary. The Committee reviews this material along with other information received from external advisors in its deliberations before considering and/or rendering decisions. The Committee has full discretion to adopt management recommendations or to alter them and to consult its own external advisors.

INDEPENDENT ADVICE

The Committee engages its own consultants, and from time-to-time legal advisors, independent of those used by management, to gather information and deliver opinions and advice on various subjects including executive compensation, securities law and compensation disclosure practices.

Executive Compensation Advisory Services

The Committee engaged the services of an individual consultant (the "*Consultant*") from Towers Perrin to provide executive compensation consulting services to the Committee during 2006. The mandate of the Consultant was to provide an assessment of management's proposals relating to the compensation of the Executives. In 2006, the Consultant provided services to the Committee in accordance with this mandate and attended portions of some Committee meetings, as requested by the chair of the Committee. The fees paid to Towers Perrin in 2006 for the Consultant's services to the Committee were approximately $78,000. The performance of the Consultant is reviewed and their engagement is approved by the Committee on an annual basis.

Under the mandate, the Consultant could also provide advice to management on significant changes to compensation philosophy or programs, or other compensation matters of the Company if the work was directed or approved by the chair of the Committee. These additional services were not provided by the Consultant to TCPL in 2006. In 2006, other separate consultants from Towers Perrin did provide the Company with non-executive compensation, Board compensation, benefit and pension actuarial consulting services and the fees paid for these services were approximately $1.9 million. All service fees and related expenses paid to Towers Perrin, including those for the services of the Consultant, are reviewed by the Committee.

Executive Compensation Program

COMPENSATION PHILOSOPHY

The design of TCPL's Executive Compensation Program is based on a compensation philosophy that:

- supports employee attraction, engagement and retention;
- is competitive with the external compensation market;
- aligns executive interests with shareholders and customers; and
- rewards accomplishments through "pay-for-performance".

The Executive Compensation Program specifically provides for Total Direct Compensation ("*TDC*") which is a combination of base salary and performance-based incentives that reflect competitive pay in light of business achievement, fulfillment of individual objectives and overall job performance. The Committee approves, or recommends for approval, all remuneration to be awarded through the Executive Compensation Program.

DETERMINING INDIVIDUAL EXECUTIVE COMPENSATION

Context for Decisions

All compensation awarded annually to the Executives under the following plans is considered for each individual and approved by the Committee or, in the case of the CEO, recommended by the Committee to the Board for approval. The Committee approves or recommends the compensation awards, which are not contingent on the number, term or current value of other outstanding compensation previously awarded to the individual. However, the Committee is provided with summaries of the three-year history of awarded compensation, which is intended to provide further context for its annual decision-making.

During 2006, organizational restructuring resulted in significant changes in TCPL's Executive Leadership Team. These changes were effective June 1, 2006 and included, among others, the following changes:

- Mr. Girling, previously Executive Vice-President ("*EVP*"), Corporate Development and Chief Financial Officer ("*CFO*"), was appointed to the new role of President, Pipelines, reporting to Mr. Kvisle, President and Chief Executive Officer. Mr. Girling has overall accountability for TCPL's pipeline businesses, including gas and oil pipelines in Canada, the U.S. and Mexico.
- Mr. Pourbaix, previously EVP, Power, was appointed to the new role of President, Energy, reporting to Mr. Kvisle. Mr. Pourbaix has overall accountability for TCPL's power, gas storage and liquefied natural gas, as well as other non-regulated businesses.
- Mr. Lohnes was appointed EVP and CFO, reporting to Mr. Kvisle. Mr. Lohnes was President and Chief Executive Officer of Great Lakes Gas Transmission Company, which was 50 per cent owned by TCPL.

As a result of these changes, the Committee was asked to make mid-year adjustments to compensation for the executives which were based on material differences in role accountabilities and responsibilities.

Program Funding

The Committee is cognizant of the impact of Executive compensation on TCPL's cash flow and stock dilution levels, and endeavors to manage these overall costs in a just and prudent manner. In 2006, the Committee looked at potential methods for hedging the cost of some cash-settled incentive plans where share price exposure is present. After reviewing the benefits and costs of such activities, the Committee decided to continue to maintain the budgeted accrual process for funding of these plans.

Market Competitiveness

As one factor in the decision-making process, the Committee considers market compensation data provided by various external compensation sources. This data consists of summary compensation information from selected Canadian-based companies that are generally of similar size and scope to TCPL, and represent the market in which TCPL may compete for talent (the "*Comparator Group*").

The composition of the Comparator Group is reviewed annually by the Committee for its on-going business relevance to TCPL. An overview of the 2005 characteristics of the Comparator Group, as compared to TCPL, is provided in the following table:

	TCPL	Comparator Group	
Industry	North American Pipelines, Power	Canadian Oil and Gas, Pipelines, Power, Utilities	
Location	Calgary	Principally Alberta	
		Median	***75th Percentile***
Revenue[(1)]	$ 6.1 billion	$ 4.8 billion	$10.2 billion
Market Capitalization[(2)]	$15.7 billion	$23.9 billion	$34.9 billion
Assets[(1)]	$24.1 billion	$9.5 billion	$15.7 billion
Employees[(1)]	Approximately 2,400	2,319	4,166

(1) Revenue, assets and number of employees reflect 2005 information.

(2) Market Capitalization is calculated as at October, 2006.

Pay for Performance

Awarding Compensation
When awarding annual compensation to the Executives, the Committee considers actual performance and results achieved against annual corporate and individual performance objectives. The annual TDC an Executive is awarded will vary in accordance with the following guidelines:

If Actual Performance...		***TDC will be...***
Meets objectives / satisfactory	=	Comparable to the median of the Comparator Group
Exceeds objectives / above satisfactory	=	Comparable to above-median compensation[(1)]
Falls short of objectives / below satisfactory	=	Adjusted downward from the previous year[(2)]

(1) The degree to which an Executive is compensated above the median is relative to his or her performance level.

(2) The degree to which the pay is adjusted downward is relative to individual performance. However, the adjustment is typically made through variable and not fixed compensation.

2006 Corporate Performance

TCPL sets annual corporate objectives directed at achieving the results required to deliver on TCPL's key longer-term strategies for growth and value creation. Below is a summary of the performance categories and highlights of results achieved in 2006.

Performance Category	Examples of Performance Measures	Highlights of Results Achieved in 2006

Financial performance	• Earnings per share
	• Funds generated from operations
	• Total Shareholder Return
		• Strong financial performance in 2006 including:
		  • Excluding gains on asset sales, earnings per share from operations of $2.12 ($2.15 less gains of $0.03). This was a significant increase to the comparable earnings per share in 2005 of $1.75 ($2.49 less gains of $0.74).
		  • Funds generated from operations increased significantly from 2005.

Performance Category	Examples of Performance Measures	Highlights of Results Achieved in 2006
Operational excellence	• Costs • Environment • Safety	• Managed capital projects to budget despite labour market pressures. • Delivered significant value from improved asset management. • Achieved productivity gains. • Improved safety performance; results continue to compare favourably to industry benchmarks. • Continued outstanding performance on pipeline customer satisfaction and service, as reflected in both internal and external customer satisfaction surveys.
Maximize TransCanada's competitive strength and enduring value	• Stakeholder relationships • Corporate reputation • Organizational and people strengths • Financial capacity and flexibility • Excellence in value-creating strategy, analysis and investment execution	• Continued to build strong relationships with regulators, governments, customers and other stakeholders critical to TCPL's success. • Named again to the Dow Jones Sustainability Index in 2006. • Recognized for corporate governance practices in external rankings. • Maintained strong financial capacity and credit ratings in Canada and the U.S. which has allowed the Company to complete large transactions. • Named to the Global 100 – a list of the world's top 100 most sustainable corporations initiated by Corporate Knights Inc. in partnership with Innovest Strategic Value Advisors Inc.
Grow and maximize long-term value of Pipeline and Energy businesses	• Progress on longer-term value adding initiatives • Greenfield projects • Completed acquisitions	• Long-term negotiated settlements on Northern Border Pipeline and Tuscarora Gas Transmission. • Continuing progress on longer-term initiatives including liquefied natural gas opportunities, northern gas pipeline development, Bruce Power "A" restart. • Greenfield initiatives – the Portlands Energy Centre and Halton Hills Generating Station progressed to the construction phase. Significant progress on Keystone oil pipeline project. Tamazanchale Mexican pipeline in service. • TransCanada and/or TC PipeLines, LP entered into agreements for acquisitions – ANR Pipeline; ANR Storage; 50% interest in Great Lakes Gas Transmission; 50% interest in Tuscarora Gas Transmission; and 20% interest in Northern Border Pipeline. TransCanada will become operator of all four pipelines.

To assess results achieved against corporate objectives, where appropriate, the Committee looks at both absolute and relative performance against specific peer companies. The Committee is of the view that both relative and absolute measures are required to give a balanced perspective of achievement of objectives.

The Committee and the Board were of the opinion that TCPL's 2006 performance delivered results that exceeded objectives in the areas of financial performance and growth and above satisfactory results on other notable objectives. Based on this corporate performance achievement and the assessment of individual performance, the Committee decided to award above-median TDC for Executives.

VALUE OF AWARDED COMPENSATION

While annual compensation awards made to the Executives are based on current year corporate and individual performance, the ultimate value from longer-term components of the TDC awards is linked to, and dependent upon, TCPL's ability to replicate and sustain annual performance over the longer term.

To ensure that the Company's longer-term compensation programs are effective in delivering on this intent, in 2006 the Committee reviewed modeled compensation scenarios for the Executives that illustrated the impact of various future corporate performance outcomes on previously awarded and outstanding compensation. The Committee found that the intended relationship between pay and performance was appropriate for all of the Executives, and that, in aggregate, the resulting compensation modeled under various performance scenarios was reasonable, not excessive, and delivered the intended differentiation of compensation value based on performance.

Components of Total Direct Compensation

TCPL's TDC is structured with an emphasis on variable compensation. This places most of the Executive's compensation at risk where the value ultimately received by the Executive is contingent on meeting or exceeding performance requirements. Disclosure of the actual components of TDC for the CEO, the Chief Financial Officer and the three other most highly compensated executive officers based on salary and bonus value earned and received during the 2006 financial year (collectively, the "*Named Executive Officers*") is noted under the heading, "Executive Compensation Program – Elements of the Executive Compensation Program" below.

Executive Compensation Program

ELEMENTS OF THE EXECUTIVE COMPENSATION PROGRAM

In 2006, the Executive Compensation Program consisted of four direct compensation elements: base salary, short-term annual cash incentives, performance share units issued under the mid-term incentive plan and stock options issued under the long-term incentive plan. The following table provides an overview of these elements.

Component of TDC	**Type of Compensation**	**Average 2006 Pay Mix(1)**	**Element**	**Form**	**Plan**	**Performance Period**
FIXED	Annual	26% of TDC	Base Salary	Cash	*"Base Pay Program"*	1 year
VARIABLE	Annual	31% of TDC	Short-term Incentive	Cash	*"Incentive Compensation Program"*	1 year
	Longer-term	25% of TDC	Medium-term Incentive	Share Units	*"Executive Share Unit Plan"*	Up to 3 years with vesting at end of term
		19% of TDC	Long-term Incentive	Stock Options	*"Stock Option Plan"*	Vesting 33⅓% each year for 3 years with a 7 year term

(1) Pay Mix is the resulting relative value of each pay element following the determination of TDC. It is expressed as an aggregate average percentage of TDC for the Named Executive Officers. The relative value of TDC allocated to specific forms of variable compensation for individual Executives is aligned with the Executive's ability to contribute to short, medium and long-term business results based on the Committee's assessment.

OVERVIEW OF EXECUTIVE COMPENSATION ELEMENTS

Fixed Compensation

Base Pay Program
The Base Pay Program provides a fixed level of income based on the market value of a role. In accordance with TCPL's market-based compensation practices, all Executive roles are individually matched to similar roles in the Comparator Group. Base salaries are typically targeted at the median of the market and are reviewed annually. Variance from the median could occur on the basis of individual performance or material differences in an Executive's responsibilities versus the market comparator role. Changes in base pay are typically effective April 1st.

Variable Compensation – Annual
For Executives, the Committee has intentionally moved away from a formulaically driven variable compensation program to a program based on sound judgment and discretion at the Board and Committee levels. The Committee is of the view that formulas and weightings applied to forward-looking objectives may lead to unintended consequences for compensation purposes. For this reason, there are no pre-established weightings applied to measures or formulaic calculations used to determine payments for Executives from TCPL's performance-based annual variable compensation program. The Committee's comprehensive assessment of overall business performance of TCPL, including corporate performance against stated objectives, business circumstances and, where appropriate, relative performance against peers, provides the context for individual Executive evaluations for annual variable compensation payments.

Incentive Compensation Program
Short-term incentives are awarded through the Incentive Compensation Program (the "*IC Program*"). The IC Program provides for the opportunity to receive annual cash payments based on individual performance measured against pre-established annual business and individual objectives, within the context of overall corporate performance.

Corporate performance provides the baseline from which individual assessments are made. The actual incentive awards for the Executives are based on the Committee's subjective and discretionary assessment of the Executive's contribution to the corporate results based on his or her achievement against individual objectives. The awards are provided under the pay-for-performance guidelines noted above. Payments from the IC Program are made in the first quarter following the completion of the financial year.

Variable Compensation – Longer-Term
The total value of longer-term incentive compensation ("*Total LTI Value*") granted each year is established as part of an Executive's overall performance-based TDC. Total LTI Value is derived from the established TDC value minus Total Cash (from Base Pay and actual awards from the IC program).

Once the Total LTI Value has been established by the Committee, the value is then divided between the Executive Share Unit Plan (the "*ESU Plan*") and the Stock Option Plan. The Committee determines the actual division of Total LTI Value in a given year at its discretion and takes into account a number of factors including:

- consideration of the funding requirements for awards from both plans;
- the individual plan designs and each Executive's ability to impact medium and longer-term performance outcomes; and
- the valuation of grants.

The actual value of granted stock options cannot be determined until the date of grant. At the time of granting, the Committee grants a set number of stock options that it believes reflect the intended dollar value to be awarded based on an economic valuation done prior to granting. Once the final economic value of stock options is known, the actual value ultimately granted via the ESU Plan may be adjusted. This adjustment is necessary to reconcile the cumulative longer-term value actually granted via the two plans to the Total LTI Value that is determined by the Committee (as part of the TDC deliberation).

Under this approach the Total LTI Value could potentially be different year over year based on performance or operational considerations. As a result, the number of ESU units and stock options granted each year may also vary. In recent years, approximately 70% to 80% of the Total LTI Value has been awarded through the ESU Plan and 20% to 30% through the Stock Option Plan.

Executive Share Unit Plan

Medium-term incentives are granted through the ESU Plan. The purpose of this plan is to align a considerable portion of each participant's compensation with medium-term performance objectives that support the interests of shareholders and other stakeholders. These performance objectives play a key role in the company's strategy for growth and sustainability. Participants in this plan include all executive and senior management employees of TCPL.

Under the ESU Plan, participants receive a provisional grant of units that is based on the allocated award value from Total LTI divided by the price of TransCanada's common shares at the time of grant. Vesting of the grants is subject to the attainment of specific business performance objectives set by the Committee at the time of grant. Throughout the three-year term of the grant, participants are credited with additional value from dividends declared and paid to TransCanada's shareholders.

At the end of the grant term, actual results are compared against the performance objectives and participant unit totals are adjusted based on this assessment. The resulting total vested units are then valued based on the price of TransCanada's common shares at the time of vesting. Participants receive a cash payment, less statutory withholdings, for their total settlement value.

In 2006, participants received a grant of units that was valued based on the weighted average closing price for TransCanada's common shares on the TSX for the five trading days prior to and including the grant date. The Committee established specific objectives for threshold, target and maximum performance levels, the achievement of which will adjust payment amounts as follows:

Performance Level		**Unit Total Adjustment**
Below threshold	=	zero units vest; no payment is made
At threshold	=	50% of units vest for payment
At target	=	100% of units vest for payment
At or above maximum	=	150% of units vest for payment

The performance criteria which need to be met for the vesting of the 2006 grant consist of:

1. TransCanada's absolute total shareholder return ("*TSR*");
2. TransCanada's relative TSR as compared to specified companies with which TransCanada may compete for capital (the "*ESU Peer Group*"); and
3. Corporate financial measures of earnings per share and funds generated from operations.

The Committee establishes performance criteria that cover a full range of performance outcomes including the potential for a zero payout. There are no pre-established weightings applied to these measures nor are there formulaic calculations used to create the performance achievement for the plan. The Committee uses its judgment and discretion to assess overall performance in light of the stated criteria and business circumstances surrounding the performance achieved.

If the actual performance achievement is determined by the Committee to align at a point between threshold and target, or target and maximum levels, the Committee will determine the number of units that vest on a *pro-rata* basis. The formula to determine the value of the vested units is based on the weighted average closing price of TransCanada's common shares on the TSX during the five trading days immediately prior to and including the vesting date.

For the purposes of executive compensation disclosure, grants under the ESU Plan are reported as long term incentives in this AIF.

Stock Option Plan

Long-term incentives are granted to the Executives through the Stock Option Plan. This plan aligns the Executives' interests with the longer term growth and profitability of TransCanada, ultimately enhancing shareholder value. Participants benefit only if the market value of TransCanada's common shares at the time of stock option exercise is greater than the market value of such shares at the time of grant. Only executive-level employees received grants from the Stock Option Plan in 2006.

The exercise price of a stock option is set as the volume weighted average trading price on the TSX during the five trading days immediately prior to the grant date. Stock options granted in 2006 vest 33⅓% on each anniversary of the grant date for a period of three years. Vested stock options from this grant may be exercised until their expiry, which is seven years from the grant date.

Share Ownership Guidelines

The Committee believes that executives can more effectively represent the interests of shareholders if they have a significant investment in the common shares of TransCanada, or their economic equivalent. The Committee is of the opinion that executives should hold an interest in TransCanada in order to align their financial interests with those of shareholders. In January 2003, all of the Executives and certain additional executive and senior-level employees of the Company were given guidelines to achieve an interest level that the Committee viewed as significant in relation to each employee's base salary.

The level of ownership could be achieved by direct purchase of common shares, by participation in the TransCanada Dividend Reinvestment Plan or through unvested units granted under the ESU Plan. In June 2006, the Committee approved an amendment to the current Share Ownership Guidelines (the "*Guidelines*") to require that at least 50% of the ownership level be TransCanada common shares or units of any TransCanada sponsored limited partnership. Unvested Executive Share Units ("*ESUs*") would only count to a maximum of 50% of the ownership level. Executives and other employees included under the guidelines have until the end of 2010 to meet this new standard.

The Committee receives regular updates on Executive ownership levels and compliance with the guidelines. The following table sets out the Guideline ownership levels for the Named Executive Officers based on their base salary rate as of December 31, 2006 and the 20-day weighted average closing price of TransCanada's common shares at year end which was $39.92.

Named Executive Officer	Minimum Ownership Requirement(1)	Minimum Guideline Ownership Value ($)	Actual Guideline Ownership Value as at December 31, 2006 ($)(2)	Multiple of Base Salary Rate
H.N. Kvisle	3 times base salary	3,300,000	3,695,421	3.36
G.A. Lohnes(3)	2 times base salary	680,000	357,645	1.05
R.K. Girling	2 times base salary	1,040,000	1,014,529	1.95
A.J. Pourbaix	2 times base salary	1,040,000	677,245	1.30
D.M. Wishart	2 times base salary	800,000	1,613,688	4.03

(1) Other senior employees of TransCanada have a minimum ownership requirement of one times base salary.

(2) Under the Guidelines, the value from unvested Executive Share Units (ESUs) is counted only to a maximum of 50% of the ownership requirement.

(3) Mr. Lohnes became an Executive Vice-President in June 2006 at which time his ownership requirement under the Guidelines was increased from one times base salary to two times base salary.

Changes Made to the Executive Compensation Program

The following section provides information regarding recent design or practice changes that have been made to plans in TCPL's Executive Compensation program. These changes impact compensation values disclosed as compensation for the Named Executive Officers in the noted tables contained under the heading "Executive Compensation" below.

ESU PLAN

A review of the ESU Plan design was undertaken in 2004 to further enhance its alignment to TCPL's compensation philosophy. As a result of this review, changes were approved by the Committee and implemented commencing with the 2005 grant. ESU grants awarded in 2004 were made under the previous design and payments from those vested grants are reported in the "Summary Compensation Table" below.

The key differences between the previous and current designs include the expansion of the performance levels and the recalibration of performance objectives as set out below.

	Below Threshold	Threshold	Target	Maximum
Previous Plan Design *(for 2004 grants)*	Zero payout	Requires stretch but achievable performance; 50% of granted units payout	Very difficult stretch performance requirements; 100% granted units payout	N/A
Current Plan Design *(for 2005 grants onward)*	Zero payout	Requires acceptable performance; 50% of granted units payout	Requires stretch but achievable performance; 100% granted units payout	Very difficult stretch performance requirements; 150% granted units payout

With the previous plan design, there was a significant risk of grant forfeiture due to the difficulty of the performance requirements at both the threshold and target levels. Grants were made with lower nominal values (i.e., more units) in recognition of this significant risk. The current plan design provides for recognition of both satisfactory and excellent performance without the requirement for higher nominal grant values to deliver the same intended level of competitive compensation over the longer term.

Previously, the share price used to value units was the closing price on the TSX on the grant date. Starting with the 2005 grant, the share price used to value the units at the time of grant reflects the weighted average closing price for TransCanada's common shares on the TSX for the five trading days prior to and including the grant date. The change was made to align the grant valuation process with the payout valuation process.

Inactive Executive Compensation Plan

The following section provides information pertaining to the executive compensation plan under which grants or awards are no longer made. However, outstanding grants or awards from this noted plan continue to be disclosed as compensation for the Named Executive Officers in the various tables contained under the heading "Executive Compensation" below.

PERFORMANCE UNIT PLAN

The Performance Unit Plan (the "*PUP*") was established in 1995 and included participants in the executive and senior management employee groups. In July 2002, the Committee amended the plan so that, starting in 2003, no further grants would be made under the PUP but accruals on existing grants will continue until the last grants expire in 2012, if not redeemed prior to this date.

Until 2003, one unit from the PUP ("*PUP Unit*") was granted in tandem with each stock option granted under the Stock Option Plan. Each PUP Unit is eligible for an annual cash accrual up to the total value of dividends paid on one common share in the preceding financial year. The accrual is made if TransCanada's TSR is equal to or greater than the average TSR of other specified Canadian companies with which TransCanada competes for capital (the "*PUP Peer Group*"). The Committee has full discretion to award the full or a lesser accrual value if TransCanada's absolute TSR is below that of the PUP Peer Group average.

PUP Units vest three years after the grant date and are considered to be automatically redeemed on the tenth anniversary of the grant date. Once vested, a PUP Unit may be exercised for the dollar value accrued on the unit at any time and prior to the tenth anniversary of the grant. However, the vested PUP Unit may only be exercised if the stock option granted in tandem with the PUP Unit is concurrently exercised, or has been previously exercised. If the underlying stock option is exercised before the PUP unit is vested, the PUP Unit is forfeited.

Compensation of the President and Chief Executive Officer

The components of TDC for the CEO are the same as those for the other Executives. Annually, the Committee makes recommendations to the Board regarding the CEO's compensation based on the same market-based, performance-related basis as for the other Executives.

OVERVIEW OF PERFORMANCE

The Committee assesses the performance of the CEO on the basis of achievement against personal and corporate performance objectives approved by the Committee at the beginning of the year, as well as his overall contribution to the success of the Company. In 2006, Mr. Kvisle's personal objective focused on the following areas:

Achievement of Corporate Objectives

The Board has reviewed TCPL's financial and non-financial results for 2006, and assessed that the Company has met or exceeded all of the stated performance objectives, and that Mr. Kvisle played a key role in achieving these outcomes. The following highlights some of Mr. Kvisle's key accomplishments.

Value Creation

Mr. Kvisle provided strong support to the organization as it worked to maximize the long-term value and grow its existing businesses. The acquisition of the ANR pipeline is expected to generate accretive earnings in the Pipelines business. The purchase of additional interests in Northern Border Pipeline, Tuscarora Gas Transmission and Great Lakes Gas Transmission in expected to enhance the profitability and cash generation for TC PipeLines, LP. The Company commissioned the Tamazunchale Pipeline in 2006, and moved both the Portlands Energy Centre and Halton Hills Generating Station through to the construction phase. Significant progress was made on gaining the necessary approvals for the Keystone oil pipeline project.

Mr. Kvisle also played a pivotal role in the continuing progress on longer-term initiatives including liquefied natural gas opportunities, northern gas pipeline development, and the Bruce Power restart.

Creating a Strong Management Team

Under Mr. Kvisle's guidance, the Company undertook a major organizational restructuring in 2006. Formation of the Pipelines and Energy business units created clear accountability for the profitability of those businesses. In addition, key succession plans were implemented, positioning the Company for continued strong leadership in the future.

Building Relationships

Mr. Kvisle continued to personally contribute to building long term winning relationships with key stakeholders, including shareholders, customers, governments, regulators and First Nations, all of whom are critical to the success of TCPL's strategies.

Operational Excellence

Mr. Kvisle continued to lead the Company in its efforts to manage costs, provide outstanding customer service, and achieve superior health, safety and the environmental standards. The Company's actual operating and administrative costs were under budget, and both internal and external customer surveys produced very positive results.

Investor Confidence
The Company's disciplined, consistent strategy continued to deliver strong financial results under Mr. Kvisle's leadership. As a result the Board increased the dividend in 2006 from $1.22 to $1.28. This contributed to an increase in TransCanada's share price from $36.65 at the end of 2005 to $40.61 at December 31, 2006.

Corporate Governance and Reputation
Mr. Kvisle plays a key role in ensuring TCPL adheres to best practices in corporate governance and maintaining the Company's excellent reputation. The Company was again recognized externally in 2006 for its governance practices, social responsibility and community investment.

SUMMARY OF PERFORMANCE
The Committee assessed Mr. Kvisle's results and concluded that his performance exceeded his individual objectives in 2006 and made this recommendation to the Board.

The Board is of the view that Mr. Kvisle's overall achievements and performance exceeded his individual objectives in 2006, resulting in his TDC being positioned at above median TDC for similar roles in the Comparator Group. In making this determination, the Board considered the achievement of the Company and Mr. Kvisle's individual objectives (both financial and non financial) as well as significant economic, industrial and market circumstances that influenced the performance of TCPL.

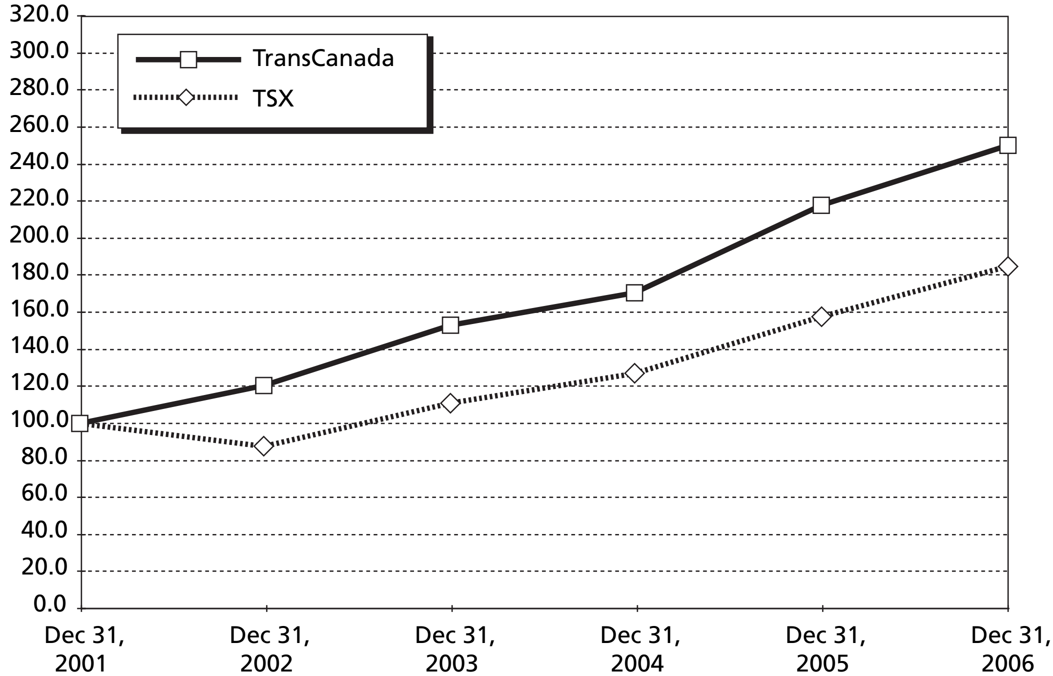
Committee Summary
The Committee is satisfied that TCPL's current Executive Compensation Program reflects competitive market practice and the levels of compensation delivered under this program are aligned with the company's performance. The Committee fully understands and supports the implications of awarded compensation. The Committee will continue to monitor market conditions and modify TCPL's Executive Compensation Program, if required, to ensure it remains competitive and aligned with TCPL's compensation philosophy.

This Report on Executive Compensation is submitted on behalf of the voting members of the Human Resources Committee of the Board:

K.L. Hawkins (Chair)
W.K. Dobson
D.P O'Brien
E.L. Draper

Performance Graph

The following chart compares the five-year cumulative total shareholder return on the TransCanada (formerly TCPL) common shares to the S&P/TSX composite index (assuming reinvestment of dividends and considering a $100 investment in common shares on December 31, 2001).



	Dec. 31, 2001	Dec. 31, 2002	Dec. 31, 2003	Dec. 31, 2004	Dec. 31, 2005	Dec. 31, 2006	Compound Annual Growth
TransCanada	100.0	120.5	153.1	170.6	217.9	250.3	20.1%
TSX	100.0	87.6	111.0	127.0	157.7	184.9	13.1%

Remuneration of Executive Officers of TCPL

The Executives also serve as executive officers of TCPL. An aggregate remuneration is paid for serving as an executive of TransCanada and for service as an executive officer of TCPL. Since TransCanada does not hold any assets directly other than the common shares of TCPL and receivables from certain of TCC's subsidiaries, all executive employee costs are assumed by TCPL according to a management services agreement between the two companies.

Executive Compensation

All compensation values disclosed in this section, unless otherwise noted, are expressed in Canadian dollars and are derived from compensation plans and programs that are described in detail under the section "Report on Executive Compensation" or from retirement arrangements reported under the section "Pension and Retirement Benefits".

Summary Compensation Table

The following table outlines the summary of compensation earned in the 2006, 2005 and 2004 financial years by the Named Executive Officers.

	ANNUAL COMPENSATION				LONG-TERM COMPENSATION			
					Awards		Payouts	
Name and Principal Position of the Named Executive Officers (a)	Year (b)	Salary[5] ($) (c)	Bonus[6] ($) (d)	Other Annual Compensation[7] ($) (e)	Securities Under Options Granted[8] (#) (f)	Shares or Units Subject to Resale Restriction ($) (g)	LTIP Payouts[9] ($) (h)	All Other Compensation[10] ($) (i)
H.N. Kvisle President and Chief Executive Officer	2006 2005 2004	1,100,004 1,050,003 871,251	1,500,000 1,300,000 1,100,000	– –	250,000 160,000 165,000	– – –	2,980,971 1,852,433 –	11,000 10,417 8,665
G.A. Lohnes Executive Vice-President and Chief Financial Officer	2006[1] 2005[2] 2004[2]	331,973 318,914 345,605	320,000 208,240 161,173	266,013 62,077 84,844	64,000 20,000 12,000	– – –	345,000 254,562 –	11,786 9,167 9,296
R.K. Girling President, Pipelines	2006[3] 2005 2004	498,346 460,032 457,524	700,000 500,000 460,000	– –	190,000 60,000 60,000	– – –	1,192,429 740,973 –	28,192 25,600 25,571
A.J. Pourbaix President, Energy	2006[4] 2005 2004	494,172 440,001 407,505	700,000 500,000 450,000	– –	190,000 60,000 60,000	– – –	1,064,734 740,973 –	71,065 49,691 46,148
D.M. Wishart Executive Vice-President, Operations and Engineering	2006 2005 2004	395,007 372,504 335,004	500,000 400,000 330,000	– –	55,000 40,000 40,000	– – –	877,367 370,487 –	24,942 3,713 3,325

(1) Mr. Lohnes was appointed Executive Vice-President and Chief Financial Officer for TCPL in June 2006 and continued in his role as President of Great Lakes Gas Transmission Company ("*Great Lakes*") until September 1, 2006. As such, the values denoted for the 2006 financial year represent compensation earned in this position for a four month period, combined with compensation earned for eight months in his previous position as President and Chief Executive Officer of Great Lakes.

(2) These values reflect the compensation Mr. Lohnes received during his tenure as President and Chief Executive Officer of Great Lakes. Mr. Lohnes became President and CEO in August 2000 and during his term, Great Lakes was a pipeline joint venture owned 50/50 by TransCanada and El Paso Corporation. The values denoted were provided to Mr. Lohnes in U.S. dollars (or equivalent value) but have been expressed here in Canadian dollars based on the Bank of Canada's average annual exchange rate for the financial year noted, namely 1.2116 for 2006, 1.3015 for 2005, and 1.4015 for 2004.

(3) Mr. Girling was appointed President, Pipelines in June 2006. As such, values denoted for the 2006 financial year represent compensation earned in this position for a seven month period, combined with compensation earned for five months in his previous position as Executive Vice-President, Corporate Development and Chief Financial Officer.

(4) Mr. Pourbaix was appointed President, Energy in June 2006. As such, values denoted for the 2006 financial year represent compensation earned in this position for a seven month period, combined with compensation earned for five months in his previous position as Executive Vice-President, Power.

(5) This column reflects actual base salary earnings during the noted financial year. Salary adjustments are typically effective April 1.

(6) Amounts referred to in this table as "Bonus" are paid pursuant to the IC Program and attributable to the noted financial year. Payments from the IC Program are made in the first quarter following the completion of the financial year.

(7) This column includes payments made to Mr. Lohnes for tax equalization on exercised stock options of US$124,842 for 2006, US$47,697 for 2005 and US$60,538 for 2004. The aforementioned payments are disclosed here in Canadian dollars based on the Bank of Canada's average annual exchange rate for the financial year noted, namely 1.2116 for 2006, 1.3015 for 2005, and 1.4015 for 2004. As part of his repatriation to Canada, Mr. Lohnes also received a one-time special tax-protected bonus payment of $200,000. This value will be paid to Mr. Lohnes in annual installments of $70,000 in 2006, $65,000 in 2007 and $65,000 in 2008. The first installment disclosed for 2006 includes $44,754 of tax reimbursement.

The value of perquisites for each Named Executive Officer is less than $50,000 and 10% of total annual salary and bonus for the financial year and, as such, is not included. For information, the average annual value for perquisites provided to the Named Executive Officers in 2006 was $32,378 and included such things as car allowance or lease and the associated maintenance fees, Company paid parking, luncheon and/or recreation club memberships and financial counseling/tax preparation.

(8) This column shows the total number of stock options granted under the Stock Option Plan to each of the Named Executive Officers during each of the financial years noted. Due to the corporate restructuring in June 2006 there was a special grant made to certain Named Executive Officers that was in addition to those granted during the annual determination of TDC in February. Specifically, Mr. Lohnes received an additional 50,000 options, Mr. Girling and Mr. Pourbaix each received an additional 100,000 options. Further disclosure on these grants is found under the heading "Equity Compensation Plan Tables" below.

(9) LTIP Payouts represent the value of the payments made or to be made for the proportion of ESU units granted in 2004 that vested and became eligible for payout in 2006. There were no payouts made under the PUP to the Named Executive Officers in 2006.

(10) The amounts in this column include payments made to the Named Executive Officers by subsidiaries and affiliates of TransCanada (including directors' fees paid by affiliates and amounts paid for serving on management committees of entities in which TransCanada holds an interest), specifically: Mr. Girling – $23,250 for 2006 and $21,000 for both 2005 and 2004; Mr. Pourbaix – $59,250 for 2006 and $39,000 for both 2005 and 2004; Mr. Wishart – $21,000 for 2006.

This column also includes the value of salary paid in lieu of vacation based on the election of the Named Executive Officer and the value of TCPL's contributions under the Employee Stock Savings Plan made on behalf of the Named Executive Officer for the noted financial year.

Long-Term Incentive Plan Tables

2006 ESU PLAN GRANTS

The following table outlines the grants made under the ESU Plan that were approved in February 2006. These grants are still unvested and outstanding as at December 31, 2006 and have therefore not yet been recorded as LTIP Payouts in the Summary Compensation Table, column (h), above.

Name	Securities, Units or Other Rights(1) (#)	Performance or Other Period Until Maturation or Payout	Estimated Future Payouts Under Non-Securities-Price-Based Plans (units)(2)			
			Below Threshold (#)	Threshold (#)	Target (#)	Maximum (#)
H.N. Kvisle	52,391	Dec. 31, 2008	0	26,195	52,391	78,586
G.A. Lohnes	3,401	Dec. 31, 2008	0	1,701	3,401	5,102
R.K. Girling	16,893	Dec. 31, 2008	0	8,447	16,893	25,340
A.J. Pourbaix	16,893	Dec. 31, 2008	0	8,447	16,893	25,340
D.M. Wishart	8,958	Dec. 31, 2008	0	4,479	8,958	13,436

(1) This is the grant of units under the ESU Plan.

(2) Does not include the units related to reinvested dividend value.

2005 ESU PLAN GRANTS

The following table outlines the grants made under the ESU Plan that were approved in February 2005. These grants are still unvested and outstanding as at December 31, 2006 and therefore have not yet been recorded as LTIP Payouts in the Summary Compensation Table, column (h), above.

Name	Securities, Units or Other Rights(1) (#)	Performance or Other Period Until Maturation or Payout	Estimated Future Payouts Under Non-Securities-Price-Based Plans (units)(2)			
			Below Threshold (#)	Threshold (#)	Target (#)	Maximum (#)
H.N. Kvisle	65,320	Dec. 31, 2007	0	32,660	65,320	97,980
G.A. Lohnes	4,441	Dec. 31, 2007	0	2,221	4,441	6,662
R.K. Girling	18,349	Dec. 31, 2007	0	9,175	18,349	27,524
A.J. Pourbaix	15,657	Dec. 31, 2007	0	7,828	15,657	23,485
D.M. Wishart	12,458	Dec. 31, 2007	0	6,229	12,458	18,687

(1) This is the grant of units under the ESU Plan.

(2) Does not include the units related to reinvested dividend value.

2004 ESU PLAN GRANTS

The following table outlines the ESU Plan grants that were made in 2004 and vested in 2006. The table reconciles the value that was paid to the Named Executive Officers which is disclosed under LTIP Payouts in the Summary Compensation Table, column (h) above.

Name	Securities, Units or Other Rights(1) (#)	Performance or Other Period Until Maturation or Payout	Vested Units From Grants(2) (#)	Vested Value From Grants(3) ($)	Vested Value From Dividends(4) ($)	Total Settlement(5) ($)
H.N. Kvisle	73,185	Dec. 31, 2006	65,867	2,664,300	316,671	2,980,971
G.A. Lohnes	8,470	Dec. 31, 2006	7,623	308,350	36,650	345,000
R.K. Girling	29,275	Dec. 31, 2006	26,348	1,065,756	126,673	1,192,429
A.J. Pourbaix	26,140	Dec. 31, 2006	23,526	951,627	113,107	1,064,734
D.M. Wishart	21,540	Dec. 31, 2006	19,386	784,164	93,203	877,367

(1) This is the grant of units under the ESU Plan that is used to determine vesting. The range of units that are eligible to vest under this grant are between 50% and 100%, based on performance between Threshold and Target, or 0% if Threshold performance is not met.

(2) Based on the Committee's assessment of the performance achieved against objectives, 90% of the granted units vested for settlement. This number does not include units related to reinvested dividends.

(3) Vested units were valued at $40.45 per unit based on the five day weighted closing price of common share on the TSX at December 31, 2006.

(4) The additional value related to the accrued value from declared dividends and paid relative to the vested unit total.

(5) Includes both the Vested Value from Grant and Vested Value from Dividends. This settlement value is reported as an LTIP Payout in the Summary Compensation Table, column (h) above.

SUPPLEMENTAL DISCLOSURE – 2007 ESU PLAN GRANTS

Decisions regarding ESU Plan grants are made annually by the Committee in February prior to the publication of the Proxy Circular. Although not a requirement, TCPL discloses these compensation grants for the Named Executive Officers. The following table outlines the grants under the ESU Plan made in 2007.

Name	Securities, Units or Other Rights(1) (#)	Performance or Other Period Until Maturation or Payout	Estimated Future Payouts Under Non-Securities-Price-Based Plans (units)(2)			
			Below Threshold (#)	Threshold (#)	Target (#)	Maximum (#)
H.N. Kvisle	58,405	Dec. 31, 2009	0	29,203	58,405	87,608
G.A. Lohnes	10,383	Dec. 31, 2009	0	5,192	10,383	15,575
R.K. Girling	30,964	Dec. 31, 2009	0	15,482	30,964	46,446
A.J. Pourbaix	30,964	Dec. 31, 2009	0	15,482	30,964	46,446
D.M. Wishart	18,541	Dec. 31, 2009	0	9,271	18,541	27,812

(1) This is the grant of units under the ESU Plan.

(2) Does not include units related to reinvested dividend value.

PUP GRANTS OUTSTANDING

The following table outlines PUP grants made to the Named Executive Officers. The estimated future payouts set out in the table include all accruals up to and including the accrual approved for the most recently completely financial year.

Name	Securities, Units or Other Rights[(1)] (#)	Performance or Other Period Until Maturation or Payout[(2)]	Estimated Future Payouts Under Non-Securities-Price-Based Plans[(3)]		Settlement Value for 2006[(5)] ($)
			Below Threshold[(4)] ($)	Maximum[(4)] ($)	
H.N. Kvisle	150,000	25-Feb-12	0	811,350	–
	100,000	20-Mar-11	0	630,900	–
	42,500	27-Feb-11	0	268,133	–
	55,000	28-Feb-10	0	395,395	–
	50,000	01-Feb-10	0	359,450	–
	90,000	01-Sep-09	0	647,010	–
G.A. Lohnes	20,000	25-Feb-12	0	108,180	–
	17,500	27-Feb-11	0	110,408	–
	17,500	28-Feb-10	0	125,808	–
	22,016	9-Dec-07	0	184,912	–
R.K. Girling	65,000	25-Feb-12	0	351,585	–
	45,000	27-Feb-11	0	283,905	–
	45,000	28-Feb-10	0	323,505	–
	50,000	01-Feb-10	0	359,450	–
	20,000	29-Jul-09	0	143,780	–
	25,000	01-Mar-09	0	179,725	–
	25,000	03-Dec-08	0	179,725	–
	25,162	09-Dec-07	0	211,336	–
A.J. Pourbaix	65,000	25-Feb-12	0	351,585	–
	35,000	27-Feb-11	0	220,815	–
	20,000	28-Feb-10	0	143,780	–
	20,000	01-Feb-10	0	143,780	–
	20,000	01-Mar-09	0	143,780	–
	17,500	03-Dec-08	0	125,808	–
D.M. Wishart	30,000	25-Feb-12	0	162,270	–
	35,000	27-Feb-11	0	220,815	–
	20,000	28-Feb-10	0	143,780	–
	20,000	01-Feb-10	0	143,780	–
	20,000	01-Mar-09	0	143,780	–
	25,162	09-Dec-07	0	211,336	–

(1) As no further awards will be made under the PUP, it will be phased out over the remaining life of the outstanding units.

(2) The exercise period for all PUP Units commences upon vesting, which is the third anniversary of the grant date, and expires on the tenth anniversary of the grant date, with the exception of the PUP Units maturing on February 1, 2010. These Units were granted under a one time special performance incentive program which vested on February 22, 2002.

(3) The Committee determined in January 2007 that $1.27 per outstanding PUP Unit will accrue for 2006 in respect of the grants made from December 5, 1996 to February 25, 2002.

(4) The Company is no longer including the "Threshold" and "Target" columns since the values reported were equal to the ones noted here in the "Maximum" column. Once the accrued value is approved by the Committee and assigned to each outstanding PUP Unit, no further variance of future value may be applied. However, the plan does provide for a risk of zero value payments from the plan should the exercise provision in the plan not be met.

(5) Values contained in this column are amounts received during the current financial year following the exercise of vested PUP Units. A blank ("–") denotes that there were no Units exercised from the grant. A zero value denotes that all PUP Units from the grant were forfeited. When applicable, settlement values are also reported as LTIP Payouts in column (h) of the Summary Compensation Table, above.

Equity Compensation Plan Tables

2006 STOCK OPTION PLAN GRANT

The following table outlines the grants made under the Stock Option Plan to each of the Named Executive Officers during the 2006 financial year.

Name	Date of Grant	Number of Common Shares Under Options Granted[1]	% of Total Options Granted to Employees in 2006	Exercise Price ($/common share)[2]	Market Value of Common Shares Underlying Options on the Date of Grant ($/common share)	Expiration Date
H.N. Kvisle	27-Feb-06	250,000	13.58%	35.23	35.23	27-Feb-13
G.A. Lohnes	12-Jun-06 27-Feb-06	50,000 14,000	2.72% 0.76%	33.08 35.23	32.70 35.23	12-Jun-13 27-Feb-13
R.K. Girling	12-Jun-06 27-Feb-06	100,000 90,000	5.43% 4.89%	33.08 35.23	32.70 35.23	12-Jun-13 27-Feb-13
A.J. Pourbaix	12-Jun-06 27-Feb-06	100,000 90,000	5.43% 4.89%	33.08 35.23	32.70 35.23	12-Jun-13 27-Feb-13
D.M. Wishart	27-Feb-06	55,000	2.99%	35.23	35.23	27-Feb-13

(1) On each anniversary date of the grant for a period of three years, one-third of these options vest and are exercisable.

(2) The exercise price is equal to the greater of the closing price of common shares on the grant date and the weighted average closing price of common shares on the TSX during the five trading days immediately prior to the grant date of the stock options.

AGGREGATE STOCK OPTION EXERCISES DURING 2006 AND 2006 YEAR-END STOCK OPTION VALUES

The following table provides information relating to options exercised and the number or value of options outstanding as at December 31, 2006 for each of the Named Executive Officers.

Name	Common Shares Acquired on Exercise (#)	Aggregate Value Realized ($)	Unexercised Options at December 31, 2006 (#)		Value of Unexercised in-the-Money Options at December 31, 2006[1] ($)	
			Exercisable	Unexercisable	Exercisable	Unexercisable
H.N. Kvisle	100,000	1,551,454	555,833	411,667	9,568,163	3,223,937
G.A. Lohnes	30,500	365,062	4,167	81,333	43,837	647,123
R.K. Girling	0	0	205,000	250,000	3,469,900	1,933,200
A.J. Pourbaix	80,000	1,017,273	97,500	250,000	1,472,200	1,933,200
D.M. Wishart	0	0	190,162	95,000	3,408,018	759,899

(1) The value of unexercised "in-the-money" stock options at December 31, 2006 is the difference between the exercise price and the closing price of $40.61 per share of a common share on the TSX on December 31, 2006. The underlying stock options have not been and will not necessarily be exercised and the actual gains, if any, on exercise will depend on the value of common shares on the date of exercise.

SUPPLEMENTAL DISCLOSURE – 2007 STOCK OPTION PLAN GRANTS

Decisions regarding stock option grants are made annually by the Committee in February prior to the publication of the Proxy Circular. Although not a requirement, TCPL discloses these compensation grants for the Named Executive Officers. The following table outlines the stock option grants under the Stock Option Plan made in 2007.

Name	Date of Grant	Number of Common Shares Under Options Granted(1)	% of Total Options Granted to Employees in 2007(2)	Exercise Price ($/common share)(3)	Market Value of Common Shares Underlying Options on the Date of Grant(3) ($/common share)	Expiration Date
H.N. Kvisle	22-Feb-07	202,442	18.69%	38.10	38.10	22-Feb-14
G.A. Lohnes	22-Feb-07	35,990	3.32%	38.10	38.10	22-Feb-14
R.K. Girling	22-Feb-07	107,326	9.91%	38.10	38.10	22-Feb-14
A.J. Pourbaix	22-Feb-07	107,326	9.91%	38.10	38.10	22-Feb-14
D.M. Wishart	22-Feb-07	64,267	5.93%	38.10	38.10	22-Feb-14

(1) On each anniversary date of the grant for a period of three years, one-third of these stock options vest and are exercisable.

(2) Based on total stock options granted as at February 22, 2007.

(3) Equal to the volume weighted average trading price of common shares on the TSX during the five trading days immediately prior to the grant date of the stock options.

Equity Compensation Plan Information

Stock Option Plan

The Stock Option Plan is the only compensation plan under which equity securities of TransCanada have been authorized for issuance. Stock options may be granted to such employees of TCPL as the Human Resources Committee may from time to time determine. Starting in 2005, the Committee determined that only executive-level employees will participate in the plan.

On recommendation of the Human Resources Committee, the Board has approved various amendments to the Stock Option Plan, some of which are subject to shareholder approval at TransCanada's Annual and Special Meeting. The following provides key information regarding the Stock Option Plan provisions:

- The plan was first approved by shareholders in 1995;
- Shareholders are being asked at the Meeting to approve an increase in the number of shares issuable under the Stock Option Plan by 4,500,000;
- If the Option Plan Resolution is approved, a maximum of 30,500,000 of TransCanada's common shares may be issued under the plan; this represents 5.8% of common shares issued and outstanding as at February 22, 2007;
- As at February 22, 2007, there were approximately:
  - 9,610,839 common shares issuable upon the exercise of outstanding stock options; this represents 1.8% of issued and outstanding common shares;
  - 486,096 common shares remaining available for issuance; this represents 0.9% of issued and outstanding common shares;
  - 15,903,065 common shares have been issued upon the exercise of stock options, representing 3.0% of issued and outstanding common shares of the Company; and
- the exercise price for unexercised issued stock options ranges from $10.03 to $38.10, with expiry dates ranging from October 31, 2007 to February 22, 2014.

Under the terms of the Stock Option Plan, the maximum number of common shares reserved for issuance as stock options to any one participant in any fiscal year cannot exceed 20% of the total number of options granted in that fiscal year and the number of common shares that may be reserved for issuance to insiders, or issued within any one year period, under all of TransCanada's security based compensation arrangements cannot exceed 10% of TransCanada's issued and outstanding common shares. There are no restrictions on the number of stock options that may be granted to insiders, subject to the foregoing limitations. Stock options cannot be transferred or assigned by participants other than a personal representative being permitted to exercise stock options in the case of death of a participant or if a participant is unable to mange his or her affairs.

Stock options granted as of 2003 onward vest as to one-third on each anniversary of the grant date for a period of three years and have a seven year term. The exercise price of a stock option is equal to the volume weighted average trading price of a common share on the TSX during the five trading days immediately prior to the grant date of the stock options.

The following table outlines the action prescribed for grants under the Stock Option Plan. Unless a stock option expires earlier, as outlined below, stock options expire on the seventh anniversary of the date of the grant.

Event	**Action**
Death	All outstanding stock options vest and become exercisable as at the date of death and may be exercised no later than the first anniversary of the date of death.
Resignation	The participant may exercise outstanding vested and exercisable stock options no later than six months after the last day of active employment, after which date all outstanding stock options are forfeited.
Retirement	All outstanding stock options vest and become exercisable as at the date of retirement and the participant may exercise these, and all other vested and exercisable stock options no later than three years past the date of retirement.
Termination without cause	The participant may exercise outstanding vested and exercisable stock options no later than the later of the last day of the notice period and six months after the last day of active employment, after which date all outstanding stock options are forfeited. No options vest during the notice period.
Termination for cause	The participant may exercise outstanding vested and exercisable stock options no later than six months after the last day of active employment, after which date all outstanding stock options are forfeited.

Securities Authorized for Issuance under Equity Compensation Plans

The following table outlines the number of common shares to be issued upon the exercise of outstanding stock options under the Stock Option Plan, the weighted-average exercise price of the outstanding stock options, and the number of common shares available for future issuance under the Stock Option Plan, all as at December 31, 2006.

Plan Category	**Number of securities to be issued upon exercise of outstanding options (a)**	**Weighted-average exercise price of outstanding options (b)**	**Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)**
Equity compensation plans approved by security holders	8,798,920	$25.37	1,567,560
Equity compensation plans not approved by security holders	Nil	Nil	Nil
TOTAL	**8,798,920**	**$25.37**	**1,567,560**

Pension and Retirement Benefits for Executives

Pension and Retirement Benefits

TCPL's Canadian pension plans are designed to attract and retain employees for the long term and to provide employees with a lifetime annual retirement income.

Base Pension Plan

All TCPL Canadian employees participate in the TCPL Registered Pension Plan, which is now solely a non-contributory defined benefit pension plan.

The normal retirement age under the Registered Pension Plan is age 60 or any age between 55 and 60 where the sum of an employee's age and continuous service equals 85. Employees are eligible to retire prior to their normal retirement date, but the benefit payable is subject to early retirement reduction factors. The defined benefit plan is integrated with Canada Pension Plan benefits. The benefit calculation is:

1.25% of an employee's Highest Average Earnings[1] up to the Final Average[2] YMPE[3]

plus

1.75% of an employee's Highest Average Earnings above the Final Average YMPE

multiplied by

the employee's years of credited service in the Registered Pension Plan ("*Credited Pensionable Service*")

(1) "Highest Average Earnings" means the average of an employee's best consecutive 36 months of Pensionable Earnings in the last 15 years before retirement. "Pensionable Earnings" means an employee's base salary plus actual Incentive Compensation paid up to a targeted percentage or for executive employees (as defined in the plan) a fixed percentage of their base salary, as provided in the plan. Pensionable Earnings do not include overtime, shift and premium differentials or any other forms of compensation.

(2) "Final Average YMPE" means the average of the YMPE in effect for the latest calendar year from which earnings are included in an employee's highest earnings calculation plus the two previous years.

(3) "YMPE" means Year's Maximum Pensionable Earnings under the Canada/Québec Pension Plan.

Registered defined benefit pension plans are subject to a maximum annual benefit accrual under the *Income Tax Act* (Canada), which is currently $2,222 for each year of Credited Pensionable Service, with the result that benefits cannot be earned in the Registered Pension Plan on compensation above approximately $139,000 per annum.

Supplemental Pension Plan

All TCPL employees with pensionable earnings over the *Income Tax Act* (Canada) ceiling of $139,000, including the Named Executive Officers, participate in the Company's non-contributory defined benefit Supplemental Pension Plan. Approximately 477 TCPL employees currently participate in the Supplemental Pension Plan.

The Registered Pension Plan and Supplemental Pension Plan were amended at January 1, 2007 to change from an earnings maximum approach, where the earnings are capped each year based on the maximum annual benefit accrual under the *Income Tax Act* (Canada), to a hold harmless approach, where the maximum amount allowable under the *Income Tax Act* (Canada) will be paid from the Registered Pension Plan and the remainder is paid from the Supplemental Pension Plan. The overall benefit remains the same.

The Supplemental Pension Plan is funded through a retirement compensation arrangement under the *Income Tax Act* (Canada). Subject to the Board's approval, contributions to the fund are based on an annual actuarial valuation of the Supplemental Pension Plan obligations calculated on the basis of the plan terminating at the beginning of each calendar year.

The annual pension benefit under the Supplemental Pension Plan is equal to 1.75% multiplied by the employee's Credited Pensionable Service multiplied by the amount by which such employee's Highest Average Earnings exceed the ceiling imposed under the *Income Tax Act* (Canada) and is recognized under the Registered Pension Plan.

Generally, neither the Registered Pension Plan nor the Supplemental Pension Plan provide for the recognition of past service. However, the Committee may, under the provisions of the Supplemental Pension Plan, at its sole discretion, grant additional years of credited service to executive employees.

Under the Registered Pension Plan and the Supplemental Pension Plan, TCPL employees, including the Named Executive Officers, will receive the following normal form of pension:

(a) in respect of credited service prior to January 1, 1990, upon retirement, a monthly pension payable for life with 60% continuing thereafter to the participant's designated joint annuitant; and

(b) in respect of credited service on and after January 1, 1990, upon retirement, a monthly pension as described in (a) above and, for unmarried participants, a monthly pension payable for life with payments to the participant's estate guaranteed for the balance of 10 years if the participant dies within 10 years of retirement.

In lieu of the normal form of pension, optional forms of pension payment may be chosen provided that any legally required waivers are completed.

The following table sets out the estimated annual defined benefit plan benefits (based on the "joint and 60% survivor" method) payable for credited service under the Registered Pension Plan and the Supplemental Pension Plan (excluding amounts payable under the Canada Pension Plan) for employees with the following Highest Average Earnings and Credited Pensionable Service. The benefits listed in the table are not subject to any deduction for social security or other offset amounts such as Canada Pension Plan or the Québec Pension Plan.

	Years of Credited Pensionable Service					
Highest Average Earnings	**10 Years**	**15 Years**	**20 Years**	**25 Years**	**30 Years**	**35 Years**
$ 400,000	$68,000	$102,000	$136,000	$170,000	$204,000	$238,000
600,000	103,000	154,000	206,000	257,000	309,000	360,000
800,000	138,000	207,000	276,000	345,000	414,000	483,000
1,000,000	173,000	259,000	346,000	432,000	519,000	605,000
1,200,000	208,000	312,000	416,000	520,000	624,000	728,000
1,400,000	243,000	364,000	486,000	607,000	729,000	850,000
1,600,000	278,000	417,000	556,000	695,000	834,000	973,000
1,800,000	313,000	469,000	626,000	782,000	939,000	1,095,000
2,000,000	348,000	522,000	696,000	870,000	1,044,000	1,218,000
2,200,000	383,000	574,000	766,000	957,000	1,149,000	1,340,000
2,400,000	418,000	627,000	836,000	1,045,000	1,254,000	1,463,000
2,600,000	453,000	679,000	906,000	1,132,000	1,359,000	1,585,000
2,800,000	488,000	732,000	976,000	1,220,000	1,464,000	1,708,000

Based on their current Highest Average Earnings and assuming the Named Executive Officers remain employed by TCPL until age 60 and that the Registered Pension Plan and Supplemental Pension Plan remain in force substantially in their present form, the Named Executive Officers will have the number of years of credited pensionable service and benefit payable set out below under their names.

	H.N. Kvisle(1)	G.A. Lohnes(2)	R.K. Girling(3)	A.J. Pourbaix(3)	D.M. Wishart
Years of Credited Service to December 31, 2006	14.33	13.33	8.00	8.00	9.59
Accrued Pension at December 31, 2006 and Payable at age 60	$461,000	$76,000	$103,000	$95,000	$93,000
Years of Credited Service to age 60	23.16	22.92	26.50	29.58	17.50
Annual Benefit Payable at age 60	$748,000	$131,000	$334,000	$347,000	$169,000

(1) In 2002, the Human Resources Committee approved an arrangement with Mr. Kvisle to grant him additional credited pensionable service. The arrangement resulted in him receiving five years of additional credited pensionable service in 2004 on his fifth anniversary date with TransCanada. In addition, for each year after 2004, until and including 2009, Mr. Kvisle will be granted one additional year of credited pensionable service on the date of the anniversary of his employment. All such additional service will not exceed ten additional years of credited pensionable service and is to be recognized solely in the Supplemental Pension Plan with respect to earnings in excess of the maximum set under the *Income Tax Act* (Canada).

(2) Mr. Lohnes continued to accrue credited service in the Canadian Registered Pension Plan and Supplemental Pension Plan while employed in the USA from August 16, 2000 to August 31, 2006. Pensionable earnings were established on the basis that one U.S. dollar is equal to one Canadian dollar, and included both the U.S. Base Salary and Incentive Compensation Payment at Target.

(3) In 2004, the Human Resources Committee also approved arrangements for Mr. Girling and Mr. Pourbaix to obtain additional credited pensionable service. Subject to Mr. Girling and Mr. Pourbaix maintaining continuous employment with TransCanada until September 8, 2007, each will receive an additional three years of credited pensionable service on that date which are to be recognized solely in the Supplemental Pension Plan with respect to earnings in excess of the maximum set under the *Income Tax Act* (Canada).

Fiscal 2006 Pension Expense Related to Service and Compensation

Amounts reported in the table below represent the pension expense related to services provided in the 2006 year for each of the Named Executive Officers under both the Registered Pension Plan and the Supplemental Pension Plan including the impact of differences between actual compensation paid in 2006 and the actuarial assumptions used for the year.

Name	Fiscal 2006 pension expense related to service and compensation
H.N. Kvisle	$713,000
G.A. Lohnes	$626,000
R.K. Girling	$384,000
A.J. Pourbaix	$393,000
D.M. Wishart	$154,000

Accrued Pension Obligations

As at December 31, 2006, TCPL's accrued obligation for the Supplemental Pension Plan was approximately $197.9 million. The 2006 current service costs and interest costs of the Supplemental Pension Plan were approximately $5.1 and $8.9 million, respectively, for a total of $14.0 million. The accrued pension obligation is calculated following the method prescribed by the Canadian Institute of Chartered Accountants and is based on management's best estimate of future events that affect the cost of pensions, including assumptions about future salary adjustments and bonuses. More information on the accrued obligations and the assumptions utilized may be found in Note 19

(Employee Future Benefits) of the Notes to TCPL's 2006 Consolidated Financial Statements which are available on the Company's website at www.transcanada.com and filed on SEDAR at www.sedar.com.

The accrued pension obligations for the Named Executive Officers under both the Registered Pension Plan and the Supplemental Pension Plan are outlined in the following table. Changes include the fiscal 2006 expense attributed to service and compensation, as well as the normal increases to pension obligations arising from the annual valuation of the Company's pension plans. The normal increases include interest on the beginning of year obligations and changes in interest rate assumptions as a result of changes in long-term bond yields.

Name	Accrued obligation at December 31, 2005(1) (A)	Change in accrued obligation for 2006(1)(2) (B)	Accrued obligation at December 31, 2006(1) (C) = (A) + (B)
H.N. Kvisle	$6,129,000	$1,408,000	$7,537,000
G.A. Lohnes	$845,000	$795,000	$1,640,000
R.K. Girling	$1,111,000	$640,000	$1,751,000
A.J. Pourbaix	$1,039,000	$640,000	$1,679,000
D.M. Wishart	$1,167,000	$320,000	$1,487,000

(1) The calculation of reported amounts use actuarial assumptions and methods that are consistent with those used for calculating pension obligations and annual expense as disclosed in the Company's 2005 and 2006 consolidated financial statements. As the assumptions reflect the Company's best estimate of future events, the values shown in the above table may not be directly comparable to similar estimates of pension obligations that may be disclosed by other corporations.

(2) Excluded from the change in accrued obligation for 2006 is the impact of investment returns on the Company's pension plan assets.

Executive Separation Agreements

Executive separation agreements with the Executives (including each of the Named Executive Officers) outline the terms and conditions applicable in the event of the Executive's separation from TCPL due to retirement, termination (with or without cause), resignation (with or without good reason), disability or death. Good reason is an event which constitutes a constructive dismissal of the Executive. A change of control by itself without an event that constitutes constructive dismissal would not be good reason.

The following table summarizes the material terms and provisions that apply in the event of termination without cause or resignation with good reason.

Severance Payment	Annualized salary rate as of the termination date, plus the average of the previous three years' annual short-term compensation plan payments (the "*Annual Compensation*"), multiplied by a notice period(1).
Benefits	Continuation of benefits during the notice period or a cash payment in lieu of continued benefits.
Perquisites	A cash payment for perquisites the Executive would have received during the notice period.
Pension	Continued accrual of pensionable service until the earlier of retirement, death and expiry of the notice period(2). However, if the termination date is within two years of a change of control, then the Executive would immediately receive the credit of pensionable service as though the full notice period has occurred and any vesting requirements under the pension plans would be deemed to have been met upon a change of control.
Short-term Compensation	A cash amount equal to the average amount of the annual bonus paid to the Executive in respect of the three years prior to the year in which the termination occurs, pro rated based on the number of days of service in the year in which the termination occurs up to the termination date.
Mid-term Compensation	If the termination date is within two years of a change of control, all unvested grants under the ESU Plan shall be deemed vested and shall be paid out in cash to the Executive. Otherwise, the Executive is provided with a prorated payment. This payment is based on the granted dollar value and the number of months the Executive participated in the grant term prior to termination (as per other plan participants).
Long-term Compensation	The participant may exercise outstanding vested and exercisable stock options no later than the later of the last day of the notice period and six months after the last day of active employment, after which date all outstanding stock options are forfeited. No options vest during the notice period.

(1) In the case of Mr. Kvisle, the notice period is three years. In the case of the other Executives, the notice period is two years.

(2) For Mr. Kvisle, Mr. Girling and Mr. Pourbaix, their respective notice periods would also be considered in the calculation of additional credited pensionable service as agreed to in their specific arrangements as described below.

A change of control includes (but is not limited to) another entity becoming the beneficial owner of more than 20% of the voting shares of TransCanada or more than 50% of the voting shares of TCPL (not including the voting shares of TCPL held by TransCanada). A change of control in itself does not trigger any cash payments under the agreements. However, in the month following the one year anniversary after a change of control, Mr. Kvisle may provide notice of his intention to leave TCPL and receive all of the entitlements of a resignation for good reason.

The following table summarizes the material terms and provisions provided for all executives in the executive separation agreements in the event of a change of control.

Mid-term Compensation	If the Executive's termination date is within two years of a change of control, all unvested grants under the ESU Plan shall be deemed vested and shall be paid out in cash to the Executive.
Long-term Compensation	Following a change of control, there is an acceleration of stock option vesting under the Stock Option Plan. If for any reason the Company is unable to affect the acceleration of such vesting, the Company will pay the Executive a cash payment. This payment would be equal to the net amount of compensation the Executive would have received if the Executive had, on the date of a change of control, exercised all vested options and unvested options for which vesting would have been accelerated. During 2007, TCPL intends to implement a "double trigger" in the Executive Separation Agreements where the acceleration of stock options vesting is contingent on both a change of control and the termination of the executive's employment.

The agreements provide that TCPL may elect to take advantage of a non-competition provision effective for a period of 12 months from the date of termination upon payment to the Executive of an amount valued at one additional year of Annual Compensation.

Supplemental Disclosure – Total Compensation Awards

Annually, the Committee approves compensation awards that deliver market competitive and performance-relevant TDC, which is a combination of base salary and variable incentives, to the Executives. Although not awarded annually, TCPL also considers the annual value of the Base and Supplemental Pension Plans to be an integral part of the Company's Executive Compensation Program. For the purposes of this supplemental disclosure, Total Compensation is defined as TDC plus the pension expense related to service and compensation for the fiscal year noted.

For all tables in this section, the following definitions are applicable for the noted compensation elements:

Annual Base Salary:	Unless otherwise noted, the annual base salary rate as at April 1st of the noted financial year.
Cash Bonus:	The total lump-sum cash award under the IC Program for performance attributable to the noted financial year, and paid in the first quarter following the completion of that financial year.
ESUs:	The value granted under the ESU Plan on the date of grant. The number of units granted for each financial year is based on this grant value and is reported in the various ESU Plan Grant tables in the section "Long-Term Incentive Tables". The number of units that vest from these grants is subject to specified performance conditions over a three-year period. Payments received from vested units are variable based on the valuation price as of the date of vesting.
Stock Options:	The stock option values are based on the number of stock options granted for each financial year as reported in the Summary Compensation Table multiplied by an economic value per stock option as calculated by an external consulting firm. This valuation methodology considers, among other things, the exercise price on the date of grant and the seven year term of the options. This method may not be identical to the methods or assumptions used by other companies, and as such, may not be directly comparable to other companies.
Annual Pension Expense:	Pension expense related to the year of service under both the Registered Pension Plan and the Supplemental Pension Plan. The amount includes the impact of differences between actual compensation paid in the financial year and the actuarial assumptions used for that year. The value noted is rounded to the nearest one thousand dollars.

The following tables outline the value of Total Compensation awarded to the Named Executive Officers as determined by the Committee for the last three financial years.

H.N. Kvisle	2006 ($)	2005 ($)	2004 ($)
FIXED			
Annual Base Salary	1,100,000	1,100,000	900,000
VARIABLE			
Cash Bonus	1,500,000	1,300,000	1,100,000
ESUs	1,917,500	1,940,004	1,206,089
Stock Options	782,500	360,000	361,350
Total Direct Compensation	**5,300,000**	**4,700,004**	**3,567,439**
Annual Pension Expense	713,000	1,604,000	894,000

G.A. Lohnes	2006[(1)] ($)	2005[(2)] ($)	2004[(2)] ($)
FIXED			
Annual Base Salary	340,000	272,664	281,702
VARIABLE			
Cash Bonus	320,000	208,240	161,173
ESUs	124,477	131,898	139,586
Stock Options	186,320	45,000	26,280
Total Direct Compensation	**970,797**	**657,802**	**608,740**
Annual Pension Expense	626,000	71,583	53,257

(1) The value noted for Annual Base Salary reflects Mr. Lohnes' rate of pay as of June 1, 2006 following his appointment to the position of Executive Vice-President and Chief Financial Officer for TCPL. The value noted for Stock Options reflects the total from two grants, namely $43,820 from the annual grant in February and $142,500 from a special one-time grant in June.

(2) These values reflect the compensation Mr. Lohnes was awarded during his tenure as President and Chief Executive Officer of Great Lakes. Mr. Lohnes became President and CEO in August 2000 and during his term, Great Lakes was a pipeline joint venture owned 50/50 by TCPL and El Paso Corporation. The values denoted were provided to Mr. Lohnes in U.S. dollars (or equivalent value) but are expressed here in Canadian dollars based on the Bank of Canada's average annual exchange rate for the financial year noted, namely 1.2116 for 2006, 1.3015 for 2005, and 1.4015 for 2004.

R.K. Girling	2006[(1)] ($)	2005 ($)	2004 ($)
FIXED			
Annual Base Salary	520,000	460,000	460,000
VARIABLE			
Cash Bonus	700,000	500,000	460,000
ESUs	618,300	544,965	482,452
Stock Options	566,700	135,000	131,400
Total Direct Compensation	**2,405,000**	**1,639,965**	**1,533,852**
Annual Pension Expense	384,000	158,000	86,000

(1) The value noted for Annual Base Salary reflects Mr. Girling's rate of pay as of June 1, 2006 following his appointment to the position of President, Pipelines. The value noted for Stock Options reflects the total from two grants, namely $281,700 from the annual grant in February and $285,000 from a special one-time grant in June.

A.J. Pourbaix	2006[1] ($)	2005 ($)	2004 ($)
FIXED			
Annual Base Salary	520,000	450,000	410,000
VARIABLE			
Cash Bonus	700,000	500,000	450,000
ESUs	618,300	465,013	430,787
Stock Options	566,700	135,000	131,400
Total Direct Compensation	**2,405,000**	**1,550,013**	**1,422,187**
Annual Pension Expense	393,000	218,000	70,000

(1) The value noted for Annual Base Salary reflects Mr. Pourbaix's rate of pay as of June 1, 2006 following his appointment to the position of President, Energy. The value noted for Stock Options reflects the total from two grants, namely $281,700 from the annual grant in February and $285,000 from a special one-time grant in June.

D.M. Wishart	2006 ($)	2005 ($)	2004 ($)
FIXED			
Annual Base Salary	400,000	380,000	350,000
VARIABLE			
Cash Bonus	500,000	400,000	330,000
ESUs	327,850	370,003	354,979
Stock Options	172,150	90,000	87,600
Total Direct Compensation	**1,400,000**	**1,240,003**	**1,122,579**
Annual Pension Expense	154,000	155,000	190,000

ADDITIONAL INFORMATION

1. Additional information in relation to TCPL may be found under TCPL's profile on SEDAR at www.sedar.com.
2. Additional information including directors' and officers' remuneration and indebtedness, principal holders of TransCanada's securities and securities authorized for issuance under equity compensation plans (all where applicable), is contained in TransCanada's Proxy Circular for its most recent annual meeting of shareholders that involved the election of directors and can be obtained upon request from the Corporate Secretary of TCPL.
3. Additional financial information is provided in TCPL's audited consolidated financial statements and MD&A for its most recently completed financial year.

GLOSSARY

ACES	Accelerated Clean Energy Supply
AIF	Annual Information Form of TransCanada PipeLines Limited dated February 22, 2007
Alberta System	A natural gas transmission system throughout the province of Alberta
Annual Report	TCPL's Annual Report to Shareholders for the year ended, December 31, 2006
ANR	American Natural Resources Company and ANR Storage Company
ANR Purchase and Sale Agreement	An agreement between TransCanada and El Paso Corporation, dated December 22, 2006, whereby TransCanada agreed to acquire ANR from El Paso Corporation.
ANR System	A natural gas transmission system which extends approximately 17,000 km from producing fields in Louisiana, Oklahoma, Texas and the Gulf of Mexico to markets in Wisconsin, Michigan, Illinois, Ohio and Indiana.
B.C. and Foothills Systems	A natural gas pipeline system in southeastern B.C., southern Alberta and southwestern Saskatchewan
Bcf	Billion cubic feet
Bécancour Plant	A power plant near Trois-Rivières, Québec
Board	TransCanada's Board of Directors
Bruce A	Bruce Power A L.P.
Bruce B	Bruce Power L.P.
Cacouna Energy Project	The Cacouna Energy LNG facility in Cacouna, Québec
Canadian Mainline	A natural gas pipeline system running from the Alberta border east to delivery points in eastern Canada and along the U.S. border
Cartier Wind Energy Project	Six wind energy projects by Hydro-Québec Distribution representing a total of 740 MW in the Gaspé region of Québec
CSA	Canadian Securities Administrators
EUB	Alberta Energy and Utilities Board
External Auditor	KPMG LLP
FERC	Federal Energy Regulatory Commission (USA)
Gas Transmission Northwest System	A natural gas transmission system running from northwestern Idaho, through Washington and Oregon to the California border
Grandview Plant	A power plant in Saint John, New Brunswick
Great Lakes	Great Lakes Gas Transmission Limited Partnership
Great Lakes System	A natural gas pipeline system in the north central U.S., roughly parallel to the Canada-U.S. Border
GUA	Gas Utilities Act
HS&E	Health, Safety and Environment
Iroquois System	A natural gas pipeline system in New York and Connecticut
LNG	Liquefied Natural Gas
MD&A	TCPL's Management's Discussion and Analysis dated February 22, 2007
MW	Megawatts
NBPL	Northern Border Pipeline
NBPL System	A natural gas transmission system located in the upper midwestern portion of the United States
NEB	National Energy Board
North Baja System	A natural gas pipeline in southern California
Northern Border Pipeline	Northern Border Pipeline Company
NOVA	NOVA Corporation
NYSE	New York Stock Exchange
PEC	Portlands Energy Centre
Portland System	A natural gas pipeline that runs through Maine and New Hampshire into Massachusetts
Power LP	TransCanada Power, L.P.
PPA	Power Purchase Agreement
Proxy Circular	TransCanada Corporation's Management Proxy Circular dated February 22, 2007
SEC	U.S. Securities and Exchange Commission
Shell	Shell US Gas & Power LLC
SOX	U.S. *Sarbanes-Oxley Act of 2002*
TCC	TransCanada Corporation
Tcf	Trillion cubic feet
TCPL	TransCanada PipeLines Limited
TQM	Trans Québec & Maritimes Pipeline Inc.
TQM System	A natural gas pipeline system in southeastern Québec
TransCanada	TransCanada Corporation
TSX	Toronto Stock Exchange
Tuscarora	Tuscarora Gas Transmission Company
Tuscarora System	A natural gas pipeline that runs from Oregon through northeast California to Reno, Nevada
Year End	December 31, 2006

SCHEDULE "A"

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	0.95
Cubic metres*	Cubic feet	35.3
Kilopascals	Pounds per square inch	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 degrees Celsius.

SCHEDULE "B"

DISCLOSURE OF CORPORATE GOVERNANCE PRACTICES

The Board and the members of TCPL's management are committed to the highest standards of corporate governance. TCPL's corporate governance practices comply with the governance rules of the Canadian Securities Administrators ("CSA"), those of the New York Stock Exchange ("NYSE") applicable to foreign issuers and of the U.S. Securities and Exchange Commission ("SEC"), and those mandated by the United States *Sarbanes-Oxley Act of 2002* ("SOX"). As a non-U.S. company, TCPL is not required to comply with most of the NYSE corporate governance listing standards; however, except as summarized on its website at www.transcanada.com, the governance practices followed are in compliance with the NYSE standards for U.S. companies in all significant respects. TCPL is in compliance with the CSA's Multilateral Instrument 52-110 pertaining to audit committees ("Canadian Audit Committee Rules"); National Policy 58-201, Corporate Governance Guidelines; and National Instrument 58-101, Disclosure of Corporate Governance Practices (collectively, the "Canadian Governance Guidelines"). TCPL's principal objective in directing and managing its business and affairs is to enhance shareholder value. TCPL believes that effective corporate governance improves corporate performance and benefits all shareholders. TCPL also believes that director, management and employee honesty and integrity are vital factors in ensuring good corporate governance. The discussion that follows relates primarily to the Canadian Governance Guidelines and highlights various elements of the Company's corporate governance program. It has been approved by the Governance Committee and by the Board.

Board of Directors

The Board believes that, as a matter of policy, there should be a majority of independent directors on TCPL's Board. The Board is charged with making this determination. The Board is currently comprised of 13 directors, of whom 11 (85%) were determined by the Board in 2006 to be independent directors. Thirteen nominees are being put forward for election at the Meeting, 11 (85%) of whom have been determined by the Board to be independent. The Board annually determines the independent status of each of its members and each nominee for election, based on a written set of criteria developed in accordance with the definition of "independent" in the Canadian Audit Committee Rules and the Canadian Governance Guidelines. The independence criteria also conform with the applicable rules of the SEC, the NYSE and those set out under SOX. The Board has determined that none of the nominees for director, with the exception of Mr. Kvisle and Mr. Stewart, have a direct or indirect material relationship with TCPL that could interfere with their ability to act in the best interests of TCPL.

Mr. Kvisle, as the CEO of TCPL, is not independent. Mr. Stewart is not independent as he provided consulting services to TCPL and received more than $75,000 in compensation during the 2005 financial year. Mr. Stewart's consulting contract terminated on December 31, 2005 and, assuming no other factors affect his status as an independent director, he will be considered independent on November 1, 2008.

The Governance Committee reviews, at least annually, the existence of any relationship between each director and TCPL to ensure that the majority of directors are independent of TCPL.

Further, the Board considered whether directors serving on boards of non-profit organizations which receive donations from TCPL pose any potential conflict. The Board determined that such relationships, where they exist, do not interfere with any such director's ability to act in the best interests of TCPL, as all decisions on making donations to non-profit organizations are made by a management committee on which no directors serve. The Board also considered family relationships and possible associations with companies which have relationships with TCPL, in its determination of independence.

Although some of the proposed nominees sit on boards or may be otherwise associated with companies that ship natural gas on TCPL's pipeline systems, TCPL as a common carrier in Canada cannot, under its tariff, deny transportation service to a credit-worthy shipper. Further, due to the specialized nature of the industry, TCPL believes that it is important for its Board to be composed of qualified and knowledgeable directors, so some of them must come from oil and gas producers and shippers; the Governance Committee closely monitors relationships among directors to ensure that business associations do not affect the Board's performance. In a circumstance where a director declares an interest in any material contract or material transaction being considered at a meeting, the director generally absents himself or herself from the meeting during the consideration of the matter, and does not vote on the matter.

All reporting issuers of which the nominees are presently directors of are set out in the table in TransCanada's Management Proxy Circular under the heading "Business to be Transacted at the Meeting – Election of Directors".

In 2006, independent directors of the Board met separately after every regularly scheduled meeting. There were seven such meetings during 2006.

Mr. Jackson has served as the Chair of TCPL since April 30, 2005. He has also acted as chair-person for Deer Creek Energy Limited (from 2001 to 2005) and Resolute Energy Inc. (from 2002 to 2005).

The attendance record of each director for all Board and committee meetings held for the 12-month period ending December 31, 2006 is set out with each director's biography in TransCanada's Management Proxy Circular under the heading "Business to be Transacted at the Meeting – Election of Directors ".

Board Mandate

The Board discharges its responsibilities directly and through committees. At regularly scheduled meetings, members of the Board and management discuss a broad range of issues relevant to TCPL's strategy and business interests and the Board is responsible for the approval of TCPL's strategic plan. In addition, the Board receives reports from management on TCPL's operational and financial performance. The Board had seven scheduled meetings in 2006. Unscheduled meetings are held from time to time as required; there were four unscheduled meetings of the Board in 2006. There were also three strategic issue sessions and one full-day strategic planning session of the Board held in 2006.

The Board operates under a written charter while retaining plenary power. Any responsibility not delegated to management or a committee of the Board remains with the Board. The Charter of the Board of Directors addresses Board composition and organization, and the Board's duties and responsibilities for managing the affairs of TCPL and its oversight responsibilities with respect to: management and human resources; strategy and planning; financial and corporate issues; business and risk management; policies and procedures; compliance reporting and corporate communications; and general legal obligations of TCPL. The charter is available on TransCanada's website at www.transcanada.com and is attached to TCPL's AIF as Schedule "C".

The Board also closely oversees any potential conflicts of interest between the Company and its affiliates including TC PipeLines, LP, a public limited partnership.

Charters have been adopted for each of the committees outlining their principal responsibilities. The Board and each committee reviews its charter annually to ensure it is in line with the current developments in corporate governance. The Board and each committee is responsible to update its respective charter. All charters are available on TransCanada's website at www.transcanada.com.

Position Descriptions

The Board has developed written position descriptions for its chair, the chair of each of the Board committees and for the CEO. The responsibilities of each committee chair are set out in each respective committee's Charter. The written position descriptions and the committee charters are available on TransCanada's website at www.transcanada.com.

The Human Resources Committee and the Board annually review and approve the CEO's personal performance objectives and review with him or her their performance against the previous year's objectives. The Human Resources Committee's report on executive compensation can be found in TCPL's AIF under the heading "Executive Compensation and Other Information – Report on Executive Compensation".

Orientation and Continuing Education

New directors are provided with an orientation and education program that includes a directors' manual containing information about the duties and obligations of directors, the business and operations of TCPL, copies of governance charters, copies of past public filings and documents from recent Board meetings. New directors are given additional historical and financial information, a session on corporate strategy, are provided opportunities to visit TCPL's facilities and project sites, and are provided with opportunities for meetings and discussions with the executive leadership team and other directors. Briefing sessions are also held for new committee members, as appropriate. The directors' manual and the director induction and continuing education process are reviewed annually by the Governance Committee. The details of the orientation of each new director are tailored to each director's individual needs and expressed areas of interest.

Senior management as well as external experts make presentations to the Board and to its committees periodically on various business-related topics and on changes in legal, regulatory and industry requirements. Directors tour certain TCPL operating facilities and project sites on an annual basis. TCPL encourages continuing education for its directors, periodically suggests programs which may be relevant to the directors and provides funding for director education. All directors are members of the Canadian Institute of Corporate Directors which provides another source of director education.

Ethical Business Conduct

The Board has formally adopted and published a set of Corporate Governance Guidelines, which affirms TCPL's commitment to maintaining a high standard of corporate governance. The guidelines address the structure and composition of the Board and its committees and also provide guidance to both the Board and management in clarifying their respective responsibilities. The Board's strengths include: an independent, non-executive Chair; well informed and experienced directors who ensure that standards exist to promote ethical behaviour throughout TCPL; an effective board size; alignment with shareholders through director share ownership requirements; and annual assessments of Board, committee and individual director effectiveness. TCPL's Corporate Governance Guidelines are available on TransCanada's website at www.transcanada.com.

The Board has also adopted a code of business ethics for directors which incorporates as its basis, principles of good conduct and highly ethical behaviour. TCPL has adopted codes of business ethics for its employees and one applicable to its CEO, Chief Financial Officer and Controller, all of which must be certified on an annual basis. Compliance with the Company's various codes is monitored by the Audit Committee and reported to the Board. There have been no departures from these codes in 2006. TCPL's codes of business ethics may be viewed on TransCanada's website at www.transcanada.com.

In a circumstance where a director declares an interest in any material contract or material transaction being considered at a meeting, the director generally absents himself or herself from the meeting during the consideration of the matter, and does not vote on the matter.

Nomination of Directors

The Governance Committee, which is composed entirely of independent directors, is responsible for proposing new nominees to the Board, which in turn is responsible for identifying suitable candidates for election by the shareholders. The Governance Committee annually reviews the qualifications of persons proposed for election to the Board and submits its recommendations to the Board for consideration. The objective of this review is to maintain the composition of the Board in a way that provides the best mix of skills and experience to guide the long-term strategy and ongoing business operations of TransCanada. New nominees must have experience in the industries in which TCPL participates or experience in general business management of corporations that are a similar size and scope to TransCanada, the ability to devote the time required, and a willingness to serve. The Governance Committee also advises the Board on the criteria for, and determination of, the independence of each director.

The Governance Committee maintains a matrix of skills and requirements and periodically assesses the skill set of the current Board members to identify necessary skills and backgrounds for Board candidates. The Governance Committee also maintains an "evergreen" list of potential candidates for its future consideration and periodically retains independent search firms to identify new candidates for election to the Board.

The Board has determined that no person shall stand for election or re-election to the Board if he or she attains the age of 70 years on or before the date of the annual meeting held in relation to the election of directors; provided however, that if a director attains the age of 70 before serving a full seven consecutive years on the Board, that director may stand for re-election, upon the recommendation of the Board each year until that director has served a full seven years on the Board.

Further information relating to the Governance Committee can be found in TCPL's AIF under Schedule "D", "Description of Board Committees and Their Charters – Governance Committee".

Compensation

The Governance Committee reviews the compensation of the directors on an annual basis, taking into account such matters as time commitment, responsibility, and compensation provided by comparable companies, and makes an annual recommendation to the Board for consideration. Towers Perrin provides an annual report on directors' compensation paid by comparable companies to facilitate the Governance Committee's review of director compensation. Directors may receive their compensation in the form of cash and deferred share units. With the exception of Mr. Kvisle, who follows the Share Ownership Guidelines for executives, Directors must hold a minimum of five times their annual cash retainer fee in common shares or related deferred share units of TransCanada. Directors have a maximum of five years to reach this level of share ownership.

The Human Resources Committee, which is composed entirely of independent directors, conducts an annual review of the performance of TCPL and the CEO as measured against objectives established in the prior year by the Board, the Human Resources Committee and the CEO. The results of this annual review are reported to the Board, which then makes an evaluation of the overall performance of TCPL and the CEO. The chair of the Board and the chair of the Human Resources Committee communicate this performance evaluation to the CEO. The evaluation is used by the Human Resources Committee in its deliberations concerning the CEO's annual compensation. The evaluation of TCPL's performance against corporate objectives also forms part of the determination of the compensation of all employees. The Human Resources Committee's report on executive compensation can be found in TCPL's AIF under the heading "Executive Compensation and Other Information – Report on Executive Compensation".

Further information relating to the Human Resources Committee can be found in TCPL's AIF under Schedule "D", "Description of Board Committees and Their Charters – Human Resources Committee".

Information relating to compensation consulting services provided by Towers Perrin during the 2006 financial year can be found in TCPL's AIF under the heading "Executive Compensation and Other Information – Report on Executive Compensation – Executive Compensation Advisory Services".

Other Board Committees

The Board has the following Committees: Audit; Health, Safety and Environment; Governance; and Human Resources. Details relating to these committees can be found in TCPL's AIF under Schedule "D", "Description of Board Committees and Their Charters".

Assessments

The Governance Committee is responsible for making an annual assessment of the overall performance of the Board, its committees and its individual members, and reporting its findings to the Board. An annual questionnaire is utilized as part of this process. This questionnaire is circulated to each of the directors and is administered by the Corporate Secretary.

The questionnaire examines the effectiveness of the Board as a whole, and of each committee, and specifically reviews areas that the Board and/or management believe could be improved or enhanced to ensure the continued effectiveness of the Board and its committees in the execution of their responsibilities. Each committee also conducts an annual self-assessment, based on specific questions in the annual questionnaire. Responses are provided to the Chair and collated results are distributed to directors and discussed at the Board.

The annual questionnaire and the individual director's terms of reference are then used in the evaluation of the contribution of individual directors. Formal interviews with each director and each member of TCPL's executive leadership team are carried out annually by the Chair with respect to this matter. The Chair of the Governance Committee also interviews each director annually on his or her assessment of the Chair's performance. All of these assessments are reported annually to the full Board.

TCPL believes that due to the specialized nature of the industry, it is important for its Board to be composed of qualified and knowledgeable directors. During the last year, all directors demonstrated a strong commitment to their roles and responsibilities through an average 94% overall attendance rate at Board meetings and an average 95% attendance rate at committee meetings. In addition, all of the directors are available to meet with management as required.

Financial Literacy of Directors

The Board has determined that all of the members of its Audit Committee are financially literate. An individual is financially literate if he or she has the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by TCPL's financial statements.

Majority Voting for Directors

TCPL has adopted a policy whereby, at any meeting where the number of nominees for election is the same as the number of director positions on the Board, if proxy votes withheld for the election of any particular director are greater than 5% of the votes cast by proxy, a ballot pertaining to the election of each of the directors will be held at that meeting. A director is required to tender his resignation if the director receives more votes "withheld" than "for" that director's election when such ballot is held. In the absence of extenuating circumstances, the Board is expected to accept that resignation within 90 days. The Board may fill a vacancy in accordance with TCPL's by-laws and the *Canada Business Corporations Act*. The policy does not apply in the event of a proxy contest with respect to the election of directors. This policy is part of TCPL's Corporate Governance Guidelines which are published on its website at www.transcanada.com.

SCHEDULE "C"

CHARTER OF THE BOARD OF DIRECTORS

I. INTRODUCTION

A. The Board's primary responsibility is to foster the long-term success of the Company consistent with the Board's fiduciary responsibility to the shareholders to maximize shareholder value.

B. The Board of Directors has plenary power. Any responsibility not delegated to management or a committee of the Board remains with the Board. This Charter is prepared to assist the Board and management in clarifying responsibilities and ensuring effective communication between the Board and management.

II. COMPOSITION AND BOARD ORGANIZATION

A. Nominees for directors are initially considered and recommended by the Governance Committee of the Board, approved by the entire Board and elected annually by the shareholders of the Company.

B. The Board must be comprised of a majority of members who have been determined by the Board to be independent. A member is independent if the member has no direct or indirect relationship which could, in the view of the Board, reasonably interfere with the exercise of a member's independent judgment.

C. Directors who are not members of management will meet on a periodic basis to discuss matters of interest independent of any influence from management.

D. Certain of the responsibilities of the Board referred to herein may be delegated to committees of the Board. The responsibilities of those committees will be as set forth in their Charter, as amended from time to time.

III. DUTIES AND RESPONSIBILITIES

A. Managing the Affairs of the Board

The Board operates by delegating certain of its authorities, including spending authorizations, to management and by reserving certain powers to itself. Certain of the legal obligations of the Board are described in detail in Section IV. Subject to these legal obligations and to the Articles and By-laws of the Company, the Board retains the responsibility for managing its own affairs, including:

i) planning its composition and size;

ii) selecting its Chair;

iii) nominating candidates for election to the Board;

iv) determining independence of Board members;

v) approving committees of the Board and membership of directors thereon;

vi) determining director compensation; and

vii) assessing the effectiveness of the Board, committees and directors in fulfilling their responsibilities.

B. Management and Human Resources

The Board has the responsibility for:

i) the appointment and succession of the Chief Executive Officer (CEO) and monitoring CEO performance, approving CEO compensation and providing advice and counsel to the CEO in the execution of the CEO's duties;

ii) approving a position description for the CEO;

iii) reviewing CEO performance at least annually, against agreed-upon written objectives;

iv) approving decisions relating to senior management, including the:

a) appointment and discharge of officers of the Company and members of the senior leadership team;

b) compensation and benefits for members of the senior leadership team;

c) acceptance of outside directorships on public companies by executive officers (other than not-for-profit organizations);

d) annual corporate and business unit performance objectives utilized in determining incentive compensation or other awards to officers; and

e) employment contracts, termination and other special arrangements with executive officers, or other employee groups if such action is likely to have a subsequent material[(1)] impact on the Company or its basic human resource and compensation policies.

v) taking all reasonable steps to ensure succession planning programs are in place, including programs to train and develop management;

vi) approving certain matters relating to all employees, including:

a) the annual salary policy/program for employees;

b) new benefit programs or changes to existing programs that would create a change in cost to the Company in excess of $10,000,000 annually;

c) pension fund investment guidelines and the appointment of pension fund managers; and

d) material benefits granted to retiring employees outside of benefits received under approved pension and other benefit programs.

C. Strategy and Plans

The Board has the responsibility to:

i) participate in strategic planning sessions to ensure that management develops, and ultimately approve, major corporate strategies and objectives;

ii) approve capital commitment and expenditure budgets and related operating plans;

iii) approve financial and operating objectives used in determining compensation;

iv) approve the entering into, or withdrawing from, lines of business that are, or are likely to be, material to the Company;

v) approve material divestitures and acquisitions; and

(1) For purposes of this Charter, the term "material" includes a transaction or a series of related transactions that would, using reasonable business judgment and assumptions, have a meaningful impact on the Corporation. The impact could be relative to the Corporation's financial performance and liabilities as well as its reputation.

vi) monitor management's achievements in implementing major corporate strategies and objectives, in light of changing circumstances.

D. Financial and Corporate Issues

The Board has the responsibility to:

i) take reasonable steps to ensure the implementation and integrity of the Company's internal control and management information systems;

ii) monitor operational and financial results;

iii) approve annual financial statements and related Management's Discussion and Analysis, review quarterly financial results and approve the release thereof by management;

iv) approve the Management Proxy Circular, Annual Information Form and documents incorporated by reference therein;

v) declare dividends;

vi) approve financings, changes in authorized capital, issue and repurchase of shares, issue and redemption of debt securities, listing of shares and other securities, issue of commercial paper, and related prospectuses and trust indentures;

vii) recommend appointment of external auditors and approve auditors' fees;

viii) approve banking resolutions and significant changes in banking relationships;

ix) approve appointments, or material changes in relationships with corporate trustees;

x) approve contracts, leases and other arrangements or commitments that may have a material impact on the Company;

xi) approve spending authority guidelines; and

xii) approve the commencement or settlement of litigation that may have a material impact on the Company.

E. Business and Risk Management

The Board has the responsibility to:

i) take all reasonable steps to ensure that management has identified the principal risks of the Company's business and implemented appropriate strategies to manage these risks, understands the principal risks and achieves a proper balance between risks and benefits;

ii) review reports on capital commitments and expenditures relative to approved budgets;

iii) review operating and financial performance relative to budgets or objectives;

iv) receive, on a regular basis, reports from management on matters relating to, among others, ethical conduct, environmental management, employee health and safety, human rights, and related party transactions; and

v) assess and monitor management control systems by evaluating and assessing information provided by management and others (e.g. internal and external auditors) about the effectiveness of management control systems.

F. Policies and Procedures

The Board has responsibility to:

i) monitor compliance with all significant policies and procedures by which the Company is operated;

ii) direct management to ensure the Company operates at all times within applicable laws and regulations and to the highest ethical and moral standards;

iii) provide policy direction to management while respecting its responsibility for day-to-day management of the Company's businesses; and

iv) review significant new corporate policies or material amendments to existing policies (including, for example, policies regarding business conduct, conflict of interest and the environment).

G. Compliance Reporting and Corporate Communications

The Board has the responsibility to:

i) take all reasonable steps to ensure the Company has in place effective disclosure and communication processes with shareholders and other stakeholders and financial, regulatory and other recipients;

ii) approve interaction with shareholders on all items requiring shareholder response or approval;

iii) take all reasonable steps to ensure that the financial performance of the Company is adequately reported to shareholders, other security holders and regulators on a timely and regular basis;

iv) take all reasonable steps to ensure that financial results are reported fairly and in accordance with generally accepted accounting principles;

v) take all reasonable steps to ensure the timely reporting of any other developments that have significant and material impact on the Company; and

vi) report annually to shareholders on the Board's stewardship for the preceding year (the Annual Report).

IV. GENERAL LEGAL OBLIGATIONS OF THE BOARD OF DIRECTORS

The Board is responsible for:

i) directing management to ensure legal requirements have been met and documents and records have been properly prepared, approved and maintained;

ii) approving changes in the By-laws and Articles of Incorporation, matters requiring shareholder approval, and agendas for shareholder meetings;

iii) approving the Company's legal structure, name, logo, mission statement and vision statement; and

iv) performing such functions as it reserves to itself or which cannot, by law, be delegated to Committees of the Board or to management.

SCHEDULE "D"

DESCRIPTION OF BOARD COMMITTEES AND THEIR CHARTERS

The Board has four standing committees: the Audit Committee; the Governance Committee; the Health, Safety and Environment Committee; and the Human Resources Committee. The Board does not have an Executive Committee. The Audit, Human Resources and Governance committees are required to be composed entirely of independent directors. The Health, Safety and Environment Committee is required to have a majority of independent directors.

Each of the committees has the authority to retain advisors to assist it in the discharge of their respective responsibilities. Each of the committees review their respective charters at least annually and, as required, recommend changes to the Governance Committee and to the Board. Each of the committees also review their respective performance annually.

Each of the committees has a charter; the committee charters are published on TransCanada's website at www.transcanada.com.

Audit Committee

Chair: H.G. Schaefer, F.C.A.
Members: D.H. Burney, K.E. Benson, P. Gauthier, P.L. Joskow, J.A. MacNaughton

This committee is comprised of six independent directors and is mandated to assist the Board in monitoring, among other things, the integrity of the financial statements of TCPL, the compliance by TCPL with legal and regulatory requirements, and the independence and performance of TCPL's internal and external auditors. The committee is also mandated to review and recommend to the Board approval of TCPL's audited annual and unaudited interim consolidated financial statements and related management discussion and analysis, and other corporate disclosure documents including information circulars, the annual information form, all prospectuses, other offering memoranda, and any financial statements required by regulatory authorities, before they are released to the public or filed with the appropriate regulatory authorities. In addition, the committee reviews and recommends to the Board the appointment and compensation of the external auditor, oversees the accounting, financial reporting, control and audit functions, and recommends funding of TCPL's pension plans.

Audit Committee information as required under the Canadian Audit Committee Rules is contained in TCPL's Annual Information Form for the year ending December 31, 2006 in the section "Corporate Governance – Audit Committee". Audit committee information includes the charter, committee composition, relevant education and experience of each member, reliance on exemptions, financial literacy of each member, committee oversight, pre-approval policies and procedures, and external auditor service fees by category. The Annual Information Form is available on SEDAR at www.sedar.com under TCPL's profile and is published on TransCanada's website at www.transcanada.com.

The committee oversees the operation of an anonymous and confidential toll free telephone number for employees, contractors and the public to call with respect to perceived accounting irregularities and ethical violations, and has set up a procedure for the receipt, retention, treatment and regular review of any such reported activities. This telephone number is published on TransCanada's website at www.transcanada.com, on its intranet for employees and in the Company's Annual Report to shareholders.

The committee reviews the audit plans of the internal and external auditors and meets with them at the time of each committee meeting, in each case both with and without the presence of management. The committee annually receives and reviews the external auditor's formal written statement of independence delineating all relationships between itself and TCPL and its report on recommendations to management regarding internal controls and procedures, and ensures the rotation of the lead audit partner having primary responsibility for the audit as required by law. The committee pre-approves all audit services and all permitted non-audit services. In addition, the committee discusses with management TCPL's material financial risk exposures and the actions management has taken to monitor and control such exposures, reviews the internal control procedures to oversee their effectiveness, monitors compliance with TCPL's policies and codes of business ethics, and reports on these matters to the Board. The committee reviews and approves the investment objectives and choice of investment managers for the Canadian pension plans and considers and approves any significant changes to those plans relating to financial matters.

There were six meetings of the Audit Committee in 2006.

Governance Committee

Chair: W.K. Dobson
Members: D.H. Burney, P.L. Joskow, D.P. O'Brien, H.G. Schaefer

This committee is comprised of five independent directors and is mandated to enhance TCPL's governance through a continuing assessment of TCPL's approach to corporate governance. The committee is also mandated to identify qualified individuals to become Board members, to recommend to the Board nominees for election as directors at each annual meeting of shareholders and to annually recommend to the Board placement of directors on committees. The committee annually reviews the independence status of each director in accordance with written criteria in order to provide the Board with guidance for its annual determination of director independence and for the placement of members on committees.

The committee reviews and reports to the Board on the performance of individual directors, the Board as a whole and each of the committees, in conjunction with the Chair of the Board. The committee also monitors the relationship between management and the Board, and reviews TCPL's structures to ensure that the Board is able to function independently of management. The committee chair annually reviews the performance of the Chair of the Board. The committee is also responsible for an annual review of director compensation and for the administration of the Share Unit Plan for Non-Employee Directors (1998), including the granting of units under the plan.

The committee monitors best governance practice and ensures any corporate governance concerns are raised with management. The committee also ensures the Company has a best practice orientation package and monitors continuing education for all directors.

There were two meetings of the Governance Committee in 2006.

Human Resources Committee

Chair: K.L. Hawkins
Members: W.K. Dobson, E.L. Draper, D.P. O'Brien

This committee is comprised of four independent directors and is mandated to review the Company's human resources policies and plans, monitor succession planning and to assess the performance of the CEO and other senior officers of TCPL against pre-established objectives. The committee approves the salary and other remuneration to be awarded to senior executive officers of TCPL. A report on senior management development and succession is prepared annually for presentation to the Board. The committee reports to the Board with recommendations on the remuneration package for the CEO. The committee approves executive compensation plans, including actual compensation awards for the most senior officers and approves any major changes to TCPL's compensation and benefit plans. The committee considers and approves any changes to TCPL's pension plans relating to benefits provided under these plans. The committee approves grants under the Stock Option Plan and accruals pursuant to the Performance Unit Plan and has oversight responsibilities for the Executive Share Unit Plan, the Performance Share Unit Plan, the Stock Option Plan and the Performance Unit Plan.

There were four meetings of the Human Resources Committee in 2006.

Health, Safety and Environment Committee

Chair: E.L. Draper
Members: P. Gauthier, K.L. Hawkins, J.A. MacNaughton, D.M.G. Stewart

This committee is comprised of five directors, four of whom are considered independent (all members other than Mr. Stewart), and is mandated to monitor the health, safety and environmental practices and procedures of TCPL and its subsidiaries for compliance with applicable legislation, conformity with industry standards and prevention or mitigation of losses. The committee also considers whether the implementation of TCPL's policies related to health, safety and environmental matters are effective. The committee reviews reports and, when appropriate, makes recommendations to the Board on TCPL's policies and procedures related to health, safety and the environment. This committee meets separately with officers of TCPL and its business units who have responsibility for these matters and reports to the Board on such meetings.

There were three meetings of the Health, Safety and Environment Committee in 2006.

Chair's Participation in Committees
Mr. S.B. Jackson, the Chair of the Board, is an independent director. The Chair is appointed by the Board and serves in a non-executive capacity. The Chair is a non-voting member of all committees of the Board.

SCHEDULE "E"

CHARTER OF THE AUDIT COMMITTEE

1. Purpose

The Audit Committee shall assist the Board of Directors (the "Board") in overseeing and monitoring, among other things, the:

- Company's financial accounting and reporting process;
- integrity of the financial statements;
- Company's internal control over financial reporting;
- external financial audit process;
- compliance by the Company with legal and regulatory requirements; and
- independence and performance of the Company's internal and external auditors.

To fulfill its purpose, the Audit Committee has been delegated certain authorities by the Board of Directors that it may exercise on behalf of the Board.

2. Roles and Responsibilities

I. Appointment of the Company's External Auditors

Subject to confirmation by the external auditors of their compliance with Canadian and U.S. regulatory registration requirements, the Audit Committee shall recommend to the Board the appointment of the external auditors, such appointment to be confirmed by the Company's shareholders at each annual meeting. The Audit Committee shall also recommend to the Board the compensation to be paid to the external auditors for audit services and shall pre-approve the retention of the external auditors for any permitted non-audit service and the fees for such service. The Audit Committee shall also be directly responsible for the oversight of the work of the external auditor (including resolution of disagreements between management and the external auditor regarding financial reporting) for the purpose of preparing or issuing an audit report or related work. The external auditor shall report directly to the Audit Committee.

The Audit Committee shall also receive periodic reports from the external auditors regarding the auditors' independence, discuss such reports with the auditors, consider whether the provision of non-audit services is compatible with maintaining the auditors' independence and the Audit Committee shall take appropriate action to satisfy itself of the independence of the external auditors.

II. Oversight in Respect of Financial Disclosure

The Audit Committee, to the extent it deems it necessary or appropriate, shall:

(a) review, discuss with management and the external auditors and recommend to the Board for approval, the Company's audited annual financial statements, annual information form including management discussion and analysis, all financial statements in prospectuses and other offering memoranda, financial statements required by regulatory authorities, all prospectuses and all documents which may be incorporated by reference into a prospectus, including without limitation, the annual proxy circular, but excluding any pricing supplements issued under a medium term note prospectus supplement of the Company;

(b) review, discuss with management and the external auditors and recommend to the Board for approval the release to the public of the Company's interim reports, including the financial statements, management discussion and analysis and press releases on quarterly financial results;

(c) review and discuss with management and external auditors the use of "pro forma" or "adjusted" non-GAAP information and the applicable reconciliation;

(d) review and discuss with management and external auditors financial information and earnings guidance provided to analysts and rating agencies; provided, however, that such discussion may be done generally (consisting of discussing the types of information to be disclosed and the types of presentations to be made). The Audit Committee need not discuss in advance each instance in which the Company may provide earnings guidance or presentations to rating agencies;

(e) review with management and the external auditors major issues regarding accounting and auditing principles and practices, including any significant changes in the Company's selection or application of accounting principles, as well as major issues as to the adequacy of the Company's internal controls and any special audit steps adopted in light of material control deficiencies that could significantly affect the Company's financial statements;

(f) review and discuss quarterly reports from the external auditors on:

(i) all critical accounting policies and practices to be used;

(ii) all alternative treatments of financial information within generally accepted accounting principles that have been discussed with management, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the external auditor;

(iii) other material written communications between the external auditor and management, such as any management letter or schedule of unadjusted differences;

(g) review with management and the external auditors the effect of regulatory and accounting initiatives as well as off-balance sheet structures on the Company's financial statements;

(h) review with management, the external auditors and, if necessary, legal counsel, any litigation, claim or contingency, including tax assessments, that could have a material effect upon the financial position of the Company, and the manner in which these matters have been disclosed in the financial statements;

(i) review disclosures made to the Audit Committee by the Company's CEO and CFO during their certification process for the periodic reports filed with securities regulators about any significant deficiencies in the design or operation of internal controls or material weaknesses therein and any fraud involving management or other employees who have a significant role in the Company's internal controls;

(j) discuss with management the Company's material financial risk exposures and the steps management has taken to monitor and control such exposures, including the Company's risk assessment and risk management policies;

III. Oversight in Respect of Legal and Regulatory Matters

(a) review with the Company's General Counsel legal matters that may have a material impact on the financial statements, the Company's compliance policies and any material reports or inquiries received from regulators or governmental agencies.

IV. Oversight in Respect of Internal Audit

(a) review the audit plans of the internal auditors of the Company including the degree of coordination between such plan and that of the external auditors and the extent to which the planned audit scope can be relied upon to detect weaknesses in internal control, fraud or other illegal acts;

(b) review the significant findings prepared by the internal auditing department and recommendations issued by the Company or by any external party relating to internal audit issues, together with management's response thereto;

(c) review compliance with the Company's policies and avoidance of conflicts of interest;

(d) review the adequacy of the resources of the internal auditor to ensure the objectivity and independence of the internal audit function, including reports from the internal audit department on its audit process with associates and affiliates;

(e) ensure the internal auditor has access to the Chair of the Audit Committee and of the Board and to the Chief Executive Officer and meet separately with the internal auditor to review with him any problems or difficulties he may have encountered and specifically:

(i) any difficulties which were encountered in the course of the audit work, including restrictions on the scope of activities or access to required information, and any disagreements with management;

(ii) any changes required in the planned scope of the internal audit; and

(iii) the internal audit department responsibilities, budget and staffing;

and to report to the Board on such meetings;

(f) bi-annually review officers' expenses and aircraft usage reports;

V. Insight in Respect of the External Auditors

(a) review the annual post-audit or management letter from the external auditors and management's response and follow-up in respect of any identified weakness, inquire regularly of management and the external auditors of any significant issues between them and how they have been resolved, and intervene in the resolution if required;

(b) review the quarterly unaudited financial statements with the external auditors and receive and review the review engagement reports of external auditors on unaudited financial statements of the Company;

(c) receive and review annually the external auditors' formal written statement of independence delineating all relationships between itself and the Company;

(d) meet separately with the external auditors to review with them any problems or difficulties the external auditors may have encountered and specifically:

(i) any difficulties which were encountered in the course of the audit work, including any restrictions on the scope of activities or access to required information, and any disagreements with management; and

(ii) any changes required in the planned scope of the audit;

and to report to the Board on such meetings;

(e) review with the external auditors the adequacy and appropriateness of the accounting policies used in preparation of the financial statements;

(f) meet with the external auditors prior to the audit to review the planning and staffing of the audit;

(g) receive and review annually the external auditors' written report on their own internal quality control procedures; any material issues raised by the most recent internal quality control review, or peer review, of the external auditors, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, and any steps taken to deal with such issues;

(h) review and evaluate the external auditors, including the lead partner of the external auditor team;

(i) ensure the rotation of the lead (or coordinating) audit partner having primary responsibility for the audit and the audit partner responsible for reviewing the audit as required by law;

VI. Oversight in Respect of Audit and Non-Audit Services

(a) pre-approve all audit services (which may entail providing comfort letters in connection with securities underwritings) and all permitted non-audit services, other than non-audit services where:

  (i) the aggregate amount of all such non-audit services provided to the Company constitutes not more than 5% of the total fees paid by the Company and its subsidiaries to the external auditor during the fiscal year in which the non-audit services are provided;

  (ii) such services were not recognized by the Company at the time of the engagement to be non-audit services; and

  (iii) such services are promptly brought to the attention of the Audit Committee and approved prior to the completion of the audit by the Audit Committee or by one or more members of the Audit Committee to whom authority to grant such approvals has been delegated by the Audit Committee;

(b) approval by the Audit Committee of a non-audit service to be performed by the external auditor shall be disclosed as required under securities laws and regulations;

(c) the Audit Committee may delegate to one or more designated members of the Audit Committee the authority to grant pre-approvals required by this subsection. The decisions of any member to whom authority is delegated to pre-approve an activity shall be presented to the Audit Committee at its first scheduled meeting following such pre-approval;

(d) if the Audit Committee approves an audit service within the scope of the engagement of the external auditor, such audit service shall be deemed to have been pre-approved for purposes of this subsection;

VII. Oversight in Respect of Certain Policies

(a) review and recommend to the Board for approval policy changes and program initiatives deemed advisable by management or the Audit Committee with respect to the Company's codes of business conduct and ethics;

(b) obtain reports from management, the Company's senior internal auditing executive and the external auditors and report to the Board on the status and adequacy of the Company's efforts to ensure its businesses are conducted and its facilities are operated in an ethical, legally compliant and socially responsible manner, in accordance with the Company's codes of business conduct and ethics;

(c) establish a non-traceable, confidential and anonymous system by which callers may ask for advice or report any ethical or financial concern, ensure that procedures for the receipt, retention and treatment of complaints in respect of accounting, internal controls and auditing matters are in place, and receive reports on such matters as necessary;

(d) annually review and assess the adequacy of the Company's public disclosure policy;

(e) review and approve the Company's hiring policies for employees or former employees of the external auditors (recognizing the Sarbanes-Oxley Act of 2002 does not permit the CEO, controller, CFO or chief accounting officer to have participated in the Company's audit as an employee of the external auditors' during the preceding one-year period) and monitor the Company's adherence to the policy;

VIII. Oversight in Respect of Financial Aspects of the Company's Pension Plans, specifically:

(a) provide advice to the Human Resources Committee on any proposed changes in the Company's pension plans in respect of any significant effect such changes may have on pension financial matters;

(b) review and consider financial and investment reports and the funded status relating to the Company's pension plans and recommend to the Board on pension contributions;

(c) receive, review and report to the Board on the actuarial valuation and funding requirements for the Company's pension plans;

(d) review and approve annually the Statement of Investment Policies and Procedures ("SIP&P");

(e) approve the appointment or termination of auditors and investment managers;

IX. Oversight in Respect of Internal Administration

(a) review annually the reports of the Company's representatives on certain audit committees of subsidiaries and affiliates of the Company and any significant issues and auditor recommendations concerning such subsidiaries and affiliates;

(b) review the succession plans in respect of the Chief Financial Officer, the Vice President, Risk Management and the Director, Internal Audit;

(c) review and approve guidelines for the Company's hiring of employees or former employees of the external auditors who were engaged on the Company's account;

X. Oversight Function

While the Audit Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Audit Committee to plan or conduct audits or to determine that the Company's financial statements and disclosures are complete and accurate or are in accordance with generally accepted accounting principles and applicable rules and regulations. These are the responsibilities of management and the external auditors. The Audit Committee, its Chair and any of its members who have accounting or related financial management experience or expertise, are members of the Board, appointed to the Audit Committee to provide broad oversight of the financial disclosure, financial risk and control related activities of the Company, and are specifically not accountable nor responsible for the day to day operation of such activities. Although designation of a member or members as an "audit committee financial expert" is based on that individual's education and experience, which that individual will bring to bear in carrying out his or her duties on the Audit Committee, designation as an "audit committee financial expert" does not impose on such person any duties, obligations or liability that are greater than the duties, obligations and liability imposed on such person as a member of the Audit Committee and Board in the absence of such designation. Rather, the role of any audit committee financial expert, like the role of all Audit Committee members, is to oversee the process and not to certify or guarantee the internal or external audit of the Company's financial information or public disclosure.

3. Composition of Audit Committee

The Audit Committee shall consist of three or more Directors, a majority of whom are resident Canadians (as defined in the *Canada Business Corporations Act*), and all of whom are unrelated and/or independent for the purposes of applicable Canadian and United States securities law and applicable rules of any stock exchange on which the Company's shares are listed. Each member of the Audit Committee shall be financially literate and at least one member shall have accounting or related financial management expertise (as those terms are defined from time to time under the requirements or guidelines for audit committee service under securities laws and the applicable rules of any stock exchange on which the Company's securities are listed for trading or, if it is not so defined as that term is interpreted by the Board in its business judgment).

4. Appointment of Audit Committee Members

The members of the Audit Committee shall be appointed by the Board from time to time, on the recommendation of the Governance Committee and shall hold office until the next annual meeting of shareholders or until their successors are earlier appointed or until they cease to be Directors of the Company.

5. Vacancies

Where a vacancy occurs at any time in the membership of the Audit Committee, it may be filled by the Board on the recommendation of the Governance Committee.

6. Audit Committee Chair

The Board shall appoint a Chair of the Audit Committee who shall:

(a) review and approve the agenda for each meeting of the Audit Committee and as appropriate, consult with members of management;

(b) preside over meetings of the Audit Committee;

(c) report to the Board on the activities of the Audit Committee relative to its recommendations, resolutions, actions and concerns; and

(d) meet as necessary with the internal and external auditors.

7. Absence of Audit Committee Chair

If the Chair of the Audit Committee is not present at any meeting of the Audit Committee, one of the other members of the Audit Committee present at the meeting shall be chosen by the Audit Committee to preside at the meeting.

8. Secretary of Audit Committee

The Corporate Secretary shall act as Secretary to the Audit Committee.

9. Meetings

The Chair, or any two members of the Audit Committee, or the internal auditor, or the external auditors, may call a meeting of the Audit Committee. The Audit Committee shall meet at least quarterly. The Audit Committee shall meet periodically with management, the internal auditors and the external auditors in separate executive sessions.

10. Quorum

A majority of the members of the Audit Committee, present in person or by telephone or other telecommunication device that permit all persons participating in the meeting to speak to each other, shall constitute a quorum.

11. Notice of Meetings

Notice of the time and place of every meeting shall be given in writing or facsimile communication to each member of the Audit Committee at least 24 hours prior to the time fixed for such meeting; provided, however, that a member may in any manner waive a notice of a meeting. Attendance of a member at a meeting is a waiver of notice of the meeting, except where a member attends a meeting for the express purpose of objecting to the transaction of any business on the grounds that the meeting is not lawfully called.

12. Attendance of Company Officers and Employees at Meeting

At the invitation of the Chair of the Audit Committee, one or more officers or employees of the Company may attend any meeting of the Audit Committee.

13. Procedure, Records and Reporting

The Audit Committee shall fix its own procedure at meetings, keep records of its proceedings and report to the Board when the Audit Committee may deem appropriate but not later than the next meeting of the Board.

14. Review of Charter and Evaluation of Audit Committee

The Audit Committee shall review its Charter annually or otherwise, as it deems appropriate, and if necessary propose changes to the Governance Committee and the Board. The Audit Committee shall annually review the Audit Committee's own performance.

15. Outside Experts and Advisors

The Audit Committee is authorized, when deemed necessary or desirable, to retain independent counsel, outside experts and other advisors, at the Company's expense, to advise the Audit Committee or its members independently on any matter.

16. Reliance

Absent actual knowledge to the contrary (which shall be promptly reported to the Board), each member of the Audit Committee shall be entitled to rely on (i) the integrity of those persons or organizations within and outside the Company from which it receives information, (ii) the accuracy of the financial and other information provided to the Audit Committee by such persons or organizations and (iii) representations made by Management and the external auditors, as to any information technology, internal audit and other non-audit services provided by the external auditors to the Company and its subsidiaries.