TransCanada

TRANSCANADA PIPELINES LIMITED

ANNUAL INFORMATION FORM

March 7, 2005

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PRESENTATION OF INFORMATION

Unless otherwise noted, the information contained in this Annual Information Form ("*AIF*") is given at or for the year ended, December 31, 2004 ("*Year End*"). Amounts are expressed in Canadian dollars unless otherwise indicated. Financial information is presented in accordance with Canadian generally accepted accounting principles.

This AIF provides material information about the business and operations of TransCanada PipeLines Limited ("*TCPL*"). TCPL's Management's Discussion and Analysis dated March 1, 2005 ("*MD&A*") and TCPL's Audited Consolidated Financial Statements are incorporated by reference into this AIF and are available on SEDAR at www.sedar.com.

Unless the context indicates otherwise, a reference in this AIF to "TCPL" includes TCPL's parent, TransCanada Corporation ("*TransCanada*"), and subsidiaries of TCPL through which its various business operations are conducted. 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, means direct and indirect wholly-owned subsidiaries of TransCanada or TCPL, as applicable.

Trends impacting TCPL's gas transmission and power businesses are discussed in the MD&A under the headings "Gas Transmission" (under the subheadings "Opportunities and Developments", "Regulatory Developments" and "Business Risks") and "Power" (under the subheadings "Opportunities and Developments" and "Business Risks").

FORWARD-LOOKING INFORMATION

This AIF, the documents incorporated by reference into this AIF, and other reports and filings made with the securities regulatory authorities include forward-looking statements. All forward-looking statements are based on TCPL's beliefs and assumptions based on information available at the time the assumption was made. Forward-looking statements relate to, among other things, anticipated financial performance, business prospects, strategies, regulatory developments, new services, market forces, commitments and technological developments. Much of this information also appears in the MD&A. By its nature, such forward-looking information is subject to various risks and uncertainties, including those discussed in this AIF, which could cause TCPL's actual results and experience to differ materially from the anticipated results or other expectations expressed. Readers are cautioned not to place undue reliance on this forward-looking information, which is 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.

REFERENCE INFORMATION

For the reference information noted below, please refer to Schedule "A".

- Exchange Rate of the Canadian Dollar
- Metric Conversion Table

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.

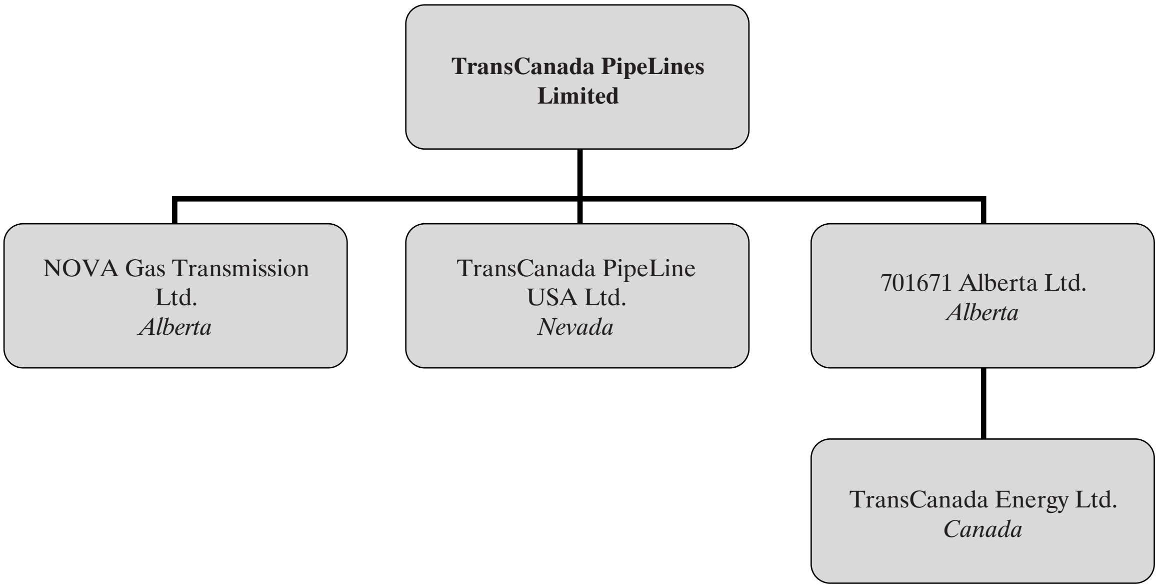
Date	Event
March 21, 1951	Incorporated by Special Act of Parliament as Trans-Canada Pipe Lines Limited.
April 19, 1972	Continued under the *Canada Corporations Act* by Letters Patent, which included the alteration of its capital and change of name to TransCanada PipeLines Limited.
June 1, 1979	Continued under the *Canada Business Corporations Act*.
July 2, 1998	Certificate of Arrangement issued in connection with the Plan of Arrangement with NOVA Corporation ("*NOVA*") through 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 issued.
June 20, 2002	Restated TransCanada PipeLines Limited By-Laws.
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 Corporation 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.

The significant dates and events relating to TransCanada are set out in TransCanada's Annual Information Form for the year ended December 31, 2004, dated March 7, 2005.

At Year End, TCPL had approximately 2,473 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 each excluded subsidiary does not exceed ten per cent of the consolidated assets of TCPL at Year End;
- the sales and operating revenues of each excluded subsidiary does not exceed ten per cent of the consolidated sales and operating revenues of TCPL for the year ended December 31, 2004;
- the aggregate assets of all the excluded subsidiaries does 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 does not exceed 20 per cent of the consolidated sales and operating revenues of TCPL for the year ended December 31, 2004.

GENERAL DEVELOPMENT OF THE BUSINESS

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

Developments in Gas Transmission Business

TCPL's focus has been to sustain, grow and optimize its natural gas transmission business. Summarized below are significant developments that have occurred in TCPL's natural gas transmission business over the last three years.

2004

In September 2004, TCPL and Petro-Canada signed a memorandum of understanding for the development of the Cacouna Energy liquefied natural gas ("*LNG*") facility in Cacouna, Québec, approximately 15 kilometers northeast of Rivière-du-Loup. 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. TCPL and Petro-Canada will share equally the construction costs of the facility, which are estimated to be $660 million. TCPL will operate the facility while Petro-Canada will contract for the facility's entire regasification capacity and supply the LNG. The proposed facility requires regulatory and other approvals from federal, provincial and municipal governments and regulators and the regulatory approval process is anticipated to take approximately two years to complete. Provided the necessary approvals are obtained, the facility is anticipated to be in service towards the end of this decade.

On October 1, 2004, TCPL acquired the 380 kilometre Simmons pipeline system ("*Simmons Pipeline System*"), which delivers natural gas to the oil sands region near Fort McMurray, Alberta from several connecting receipt points on the Alberta System, for approximately $22 million.

On November 1, 2004, TCPL acquired the Gas Transmission Northwest pipeline system ("*GTN System*") and the North Baja pipeline system ("*North Baja System*") from National Energy & Gas Transmission, Inc. ("*NEGT*") for US$1.7 billion, including approximately US$0.5 billion of assumed debt, subject to typical closing adjustments. The GTN System, formerly known as Pacific Gas Transmission, extends more than 2,174 kilometres from a connection point on TCPL's BC System and Foothills System near Kingsgate, British Columbia on the B.C. — Idaho border to a point near Malin, Oregon on the Oregon — California border. The natural gas transported on this system originates primarily in Canada and is supplied to markets in the Pacific Northwest, California and Nevada. The North Baja System extends 128 kilometres from a point near Ehrenberg, Arizona to a point near Ogilby, California on the California — Mexico border. The natural gas transported on the North Baja System comes primarily from supplies in the southwestern U.S. for markets in northern Baja California, Mexico.

In 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 billion cubic feet ("*Bcf*") per day of natural gas. TCPL and Shell will build and install a floating storage and regasification unit at a location approximately 15 kilometers off the Long Island coast and 18 kilometers off the Connecticut coast. TCPL will own 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 estimated cost of construction is US$700 million. The proposed Broadwater Energy LNG facility requires regulatory approval from Federal and State governments before construction can begin and the regulatory approval process is anticipated to take up to three years to complete. Provided the necessary approvals are granted and commercial commitments obtained, the facility could be in service in late 2010. TCPL and Shell have filed a request with the U.S. Federal Energy Regulatory Commission ("*FERC*") to initiate a six to nine month public review of the Broadwater proposal.

In a referendum held in March 2004, the residents of Harpswell, Maine voted against leasing a town-owned site to build the Fairwinds LNG regasification facility. As a result, TCPL and its partner, ConocoPhillips Company, suspended further work on this LNG project.

For further information about Gas Transmission Developments in 2004, refer to the headings "Business of TCPL — Gas Transmission — Wholly-Owned Pipelines" and "Business of TCPL — Gas Transmission — Other Gas Transmission" below.

2003

In August 2003, TCPL acquired the remaining interests in Foothills Pipe Lines Ltd. ("*Foothills*") that it did not previously own. The Foothills System, which is owned by Foothills, extends 1,040 kilometres and has two legs: one which originates south of Caroline, Alberta and runs along the foothills of the Rocky Mountains through the Crowsnest Pass to Kingsgate, B.C. where it connects to the GTN System; and the other which originates south of Caroline, Alberta and runs southeast across Alberta and Saskatchewan to the Canada — U.S. border near Monchy, Saskatchewan where it interconnects with Northern Border Pipeline Company ("*Northern Border Pipeline*"). The Foothills System carries over 30 per cent of all Canadian natural gas exports to the U.S.

TCPL, through Foothills, holds certificates for both the Alaskan and Canadian segments of the Alaska Highway Pipeline Project and also holds significant right-of-way assets for the project in both Canada and Alaska.

In June 2003, TCPL, the Mackenzie Delta Producers Group ("*Mackenzie Producers*") and Mackenzie Valley Aboriginal Pipeline L.P. ("*Aboriginal Pipeline Group*" or "*APG*") reached a funding and participation agreement. TCPL agreed to finance the APG's share of project development costs in exchange for several options, including an ownership interest in the pipeline, certain rights of first refusal in the Mackenzie Gas Pipeline Project and the right to have the Mackenzie Delta gas flow into the Alberta System.

Through acquisitions that took place in September and December 2003, TCPL increased its ownership interest in Portland Natural Gas Transmission System Partnership ("*Portland*") in the northeastern U.S. from 33.3 per cent to 61.7 per cent.

2002

In August 2002, TCPL completed the acquisition of a portion of the two per cent general partnership interest in Northern Border Partners, L.P. ("*NBP L.P.*"), a publicly held limited partnership. This interest provides TCPL with a 17.5 per cent voting interest on the partnership policy committee. NBP L.P. owns interests in pipelines and gas processing plants in the U.S. and Canada, including a 70 per cent interest in Northern Border Pipeline.

Developments in Power Business

In the past three years, TCPL has grown its power business and, in particular, has increased its generation capacity from facilities it owns, operates and/or controls, including those under construction or development, from approximately 4,033 megawatts ("*MW*") in 2002 to 5,712 MW at Year End. Summarized below are significant developments that have occurred in TCPL's power business over the last three years.

2004

TCPL received approval from the Québec government in April 2004, to develop the 550 MW natural gas-fired Bécancour cogeneration plant which is located at an industrial park near Trois-Rivières, Québec ("*Bécancour Plant*") and which will supply its entire power output to Hydro-Québec Distribution under a 20 year power purchase agreement. The Bécancour Plant will also supply steam to two other companies located within the same industrial park. Construction of the 550 MW Bécancour Plant began in the third quarter of 2004. The cost of the Bécancour Plant is estimated to be $550 million, including capitalized interest, and the plant is expected to be in service in late 2006.

In April 2004, TCPL sold its ManChief and Curtis Palmer power plants to TransCanada Power, L.P. ("*Power LP*") for approximately US$402.6 million excluding closing adjustments. The acquisition was partially financed by Power LP through a public offering of subscription receipts which were subsequently converted into limited partnership units. TCPL did not take up its full pro rata share of the units and as a result, its interest in the Power LP was reduced from 35.6 per cent to 30.6 per cent.

On September 29, 2004, TCPL entered into an asset purchase agreement with USGen New England, Inc. ("*USGen*"), a power generation company, for the purchase of hydroelectric generation assets with a total generating capacity of 567 MW of power for US$505 million. The asset purchase was subject to a bankruptcy court sanctioned auction in which TCPL was declared the successful bidder. The assets include generating systems on two rivers in New England: the 484 MW Connecticut River system in New Hampshire and Vermont and the 83 MW Deerfield River system in Massachusetts and Vermont. The necessary bankruptcy court approvals for the sale have been granted; however, the sale is also subject to certain regulatory approvals and conditions. In December 2004, Vermont Hydroelectric Power Authority exercised its option with USGen to purchase the 49 MW Bellows Falls facility located on the Connecticut River system. Upon closing of this purchase option, the Bellows Falls facility will be sold to Vermont Hydroelectric for US$72 million, thereby effectively reducing TCPL's total purchase price by that amount.

Cartier Wind Energy Inc. ("*Cartier Wind Energy*"), of which 62 per cent is owned by TCPL, was awarded six wind energy projects by Hydro-Québec Distribution in October 2004, representing a total of 739.5 MW in the Gaspé region of Québec. The six projects are distributed throughout the Gaspésie-Iles-de-la-Madeleine region and the Regional County Municipality of Matane and are expected to cost a total of more than $1.1 billion to develop and construct. Construction of the projects is expected to begin late in 2005 and the projects are expected to be commissioned between 2006 and 2012. Long-term electricity supply contracts, which are subject to approval by the Régie de l'Energie, were negotiated with Hydro-Québec Distribution for each of the six facilities and were executed on February 25, 2005. Cartier Wind Energy has begun the process of seeking environmental approvals for the projects.

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.

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 the first quarter of 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.

2003

In February 2003, TCPL, as part of a consortium, acquired a 31.6 per cent interest in Bruce Power L.P. ("*Bruce Power*") and a 33.3 per cent interest in Bruce Power Inc., the general partner of Bruce Power. Bruce Power leases its generation facilities from Ontario Power Generation Inc. ("*OPG*"). The facilities consist of eight nuclear reactors, five of which were operational at the end of 2003, with a capacity of 3,950 MW. An additional reactor with capacity of 750 MW commenced commercial operations in March 2004.

The members of the purchasing consortium of Bruce Power severally guaranteed, on a pro-rata basis, certain contingent financial obligations of Bruce Power related to operator licenses, the OPG lease agreement, power sales agreements and contractor services. Bruce Power continues to be operated by experienced nuclear power plant operators. Spent fuel and decommissioning liabilities remain with OPG under the terms of the lease.

2002

In November 2002, TCPL completed the acquisition of the 300 MW ManChief power plant, situated approximately 145 kilometres northeast of Denver, Colorado. The ManChief power plant was subsequently sold to Power LP in 2004.

Recent Developments

In January 2005, TCPL announced that it would develop a $200 million natural gas storage facility near Edson, Alberta. The Edson facility is expected to have a capacity of approximately 50 Bcf and will connect to TCPL's Alberta System. TCPL has also secured a long-term contract with a third party for up to an additional 40 Bcf of storage capacity in Alberta. Upon completion of the Edson facility, combined with the existing storage capacity it holds through its 60 per cent interest in CrossAlta Gas Storage & Services Ltd., TCPL will own or control more than 110 Bcf of storage capacity, which will amount to approximately one third of the storage capacity in Alberta at that time. TCPL is in a position to provide fee based gas storage services directly to customers by April 2005 and the Edson facility's capacity will be available to customers on a phased in basis commencing in 2006.

In February 2005, TCPL announced its intention to gauge industry interest in a project to develop a 3,000 kilometre oil pipeline, with capacity to transport approximately 400,000 barrels per day. The pipeline will run from Hardisty, in southeastern Alberta, south through Alberta, eastwards through Saskatchewan and Manitoba, and then south across the Canada-U.S. border through North Dakota, South Dakota, Iowa, Missouri and finally to the Wood River and Patoka delivery points in Illinois. The oil pipeline project will involve the conversion from gas service of approximately 1,240 kilometres of one line of TCPL's existing multi-line Alberta System and Canadian Mainline as well as new pipeline construction. Discussions with various stakeholders have begun and, if sufficient support for the oil pipeline project is attained, TCPL will proceed to seek the necessary regulatory approvals.

BUSINESS OF TCPL

TCPL is a leading North American energy infrastructure company focused on natural gas transmission and power generation. At Year End, the gas transmission business accounted for approximately 77 per cent of revenues and 83 per cent of TCPL's total assets and the power business accounted for approximately 23 per cent of revenues and 13 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, 2004 and 2003.

	2004 (millions of dollars)	2003 (millions of dollars)
Gas Transmission		
Canada — Domestic Deliveries	2,441	2,492
Canada — Export Deliveries(1)	1,259	1,291
United States	217	173
	3,917	3,956
Power		
Canada — Domestic Deliveries	706	765
Canada — Export Deliveries(1)	2	2
United States	482	634
	1,190	1,401
Total Revenues(2)	5,107	5,357

Notes:

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

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

Gas Transmission Business

Canada

TCPL, through subsidiaries, has substantial Canadian natural gas pipeline holdings, including:

- a natural gas transmission system running from the Alberta border east to delivery points in eastern Canada and the U.S. border ("*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 ("*Foothills System*");
- a natural gas transmission system in southeastern B.C. ("*BC System*"); and
- a 50 per cent interest in Trans Québec & Maritimes Pipeline Inc. ("*TQM*") which operates a natural gas transmission system in southeastern Québec ("*TQM System*").

United States

TCPL, through subsidiaries, has natural gas pipeline holdings in the U.S. including:

- a natural gas transmission system running from northwestern Idaho, through Washington and Oregon to the California border (the "*GTN System*");
- a natural gas transmission system in southern Arizona and California (the "*North Baja System*");
- a 50 per cent 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;
- a 41 per cent interest in the Iroquois Gas Transmission System ("*Iroquois System*") which runs southwards down through the eastern part of the State of New York;
- a 61.7 per cent interest in the Portland system which runs through Maine into Massachusetts;
- a 10 per cent effective ownership interest, held through TC PipeLines, L.P., in the Northern Border Pipeline system which is located in the upper midwestern portion of the U.S.; and

- a 17.4 per cent effective ownership interest in the Tuscarora Gas Transmission Company ("*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 TransCanada and the remainder is held through TransCanada's interest in TC PipeLines, L.P.

TCPL holds a 33.4 per cent interest in TC PipeLines, L.P., a publicly held limited partnership of which a subsidiary of TCPL acts as the general partner. The remaining interest of TC PipeLines, L.P. is widely held by the public. TC PipeLines, L.P. holds a 30 per cent interest in Northern Border Pipeline and a 49 per cent interest in Tuscarora.

Gas Transmission

TCPL's transmission business principally includes the operation of the wholly-owned Canadian Mainline, Alberta System, Foothills System, BC System, GTN System and North Baja System as well as TCPL's other investments in partially-owned natural gas pipelines and storage facilities located primarily in Canada and the U.S.

Canadian natural gas transmission services are provided under gas transportation tariffs that provide for cost recovery including return of and return on capital as approved by the applicable regulatory authorities. In some cases, such tariffs are determined under agreements with customers and other interested parties, subject to regulatory approval. The net income of the gas transmission business is generated based on such tariffs. Under the current regulatory model, net income is not affected by fluctuations in the commodity price of natural gas, but such fluctuations influence both production levels and the natural gas basins from which North American natural gas consumers elect to purchase natural gas supplies.

Both the GTN System and the North Baja System operate under fixed rate models, under which maximum and minimum rates for various service types have been ordered by FERC and under which, these two systems are permitted to discount or negotiate rates on a non-discriminatory basis. The net earnings attributable to the GTN System and the North Baja System are impacted by variations in volumes delivered under the various service types that are provided, as well as by variations in the costs of providing transportation service.

The volume of natural gas shipments on the Canadian Mainline, Alberta System, Foothills System, BC System, GTN System and North Baja System depends on the volume of natural gas produced and sold both in and outside of Alberta, and on the cost and availability of other pipeline capacity. The natural gas transported by TCPL on its Canadian pipelines comes primarily from the Western Canada Sedimentary Basin ("*WCSB*"). The WCSB's estimated remaining established reserves of natural gas are approximately 55 trillion cubic feet ("*Tcf*") with a remaining reserve-to-production ratio of approximately nine years at current levels of production. At present, incremental reserves are continually being discovered and generally maintain the reserve-to-production ratio at close to nine years. Production of natural gas from the WCSB has not increased since 2001. With the expansion of capacity on TCPL's wholly and partially-owned pipelines over the past decade, and the competition provided by other pipelines, combined with significant growth in natural gas demand in Alberta, TCPL anticipates there will be excess pipeline capacity out of the WCSB for the foreseeable future.

In addition to the information concerning the gas transmission segment of TCPL's business set out herein, further information can be found in the MD&A under the heading "Gas Transmission — Opportunities and Developments".

Wholly-Owned Pipelines

Canadian Mainline

The Canadian Mainline consists of 14,898 kilometres of pipeline system transporting natural gas from the Alberta border east to various delivery points in Canada and at the U.S. border.

Capital expenditures on the Canadian Mainline in 2004 were approximately $43 million. These expenditures were primarily for some localized capacity capital and maintenance capital projects. TCPL anticipates approximately $57 million of further localized capital spending on the Canadian Mainline in 2005, primarily related to capacity capital and maintenance capital projects.

The following table sets forth the revenues earned and volumes delivered for the years ended December 31, 2004 and 2003 for the Canadian Mainline.

	2004		2003	
	Revenues[(1)] (millions of dollars)	Per cent	Revenues (millions of dollars)	Per cent
Revenues				
Domestic Deliveries	952	44	1,035	46
Export Deliveries	1,201	56	1,214	54
Total	2,153	100	2,249	100

	2004		2003	
	Volume (Bcf)	Per cent	Volume (Bcf)	Per cent
Volumes Transported				
Domestic Deliveries	1,345	51	1,295	49
Export Deliveries	1,276	49	1,333	51
Total	2,621	100	2,628	100

Note:

(1) 2004 domestic revenues were reduced as a result of transportation service credits related to a new service offered. Total credits of $23 million were reported against 2004 domestic revenues.

Canadian Mainline Contracted Firm Transportation Services

As of Year End, the Canadian Mainline was providing transportation for 127 shippers pursuant to 371 firm service transportation contracts. Approximately 44 per cent of the total daily transportation volume represented by these contracts relates to contracts for delivery of natural gas at U.S. border points.

As of Year End, the weighted average remaining term of firm transportation contracts on the Canadian Mainline was approximately 2.5 years compared to a weighted average remaining term of 3.2 years at December 31, 2003. These contracts are renewable by the customer providing notice to TCPL at least six months prior to the expiry of the current contract term. The Canadian Mainline last operated at capacity with one year or longer firm service contracts during the 1998-1999 contract year. Since then, the Canadian Mainline has seen a 36 per cent decrease in firm contracted deliveries and a 19 per cent decrease in total deliveries originating at the Alberta border and in Saskatchewan. Further information can be found in the MD&A under the headings “Gas Transmission — Earnings Analysis” and “Gas Transmission — Opportunities and Developments”.

Regulation of the Canadian Mainline

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

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

In February 2003, the NEB denied TCPL's September 2002 request for a Review and Variance of an NEB decision referred to as the Fair Return Decision, which TCPL considered unsatisfactory. Consequently, TCPL applied for and was granted leave to appeal the NEB's denial of the Review and Variance to the Federal Court of Appeal. However, in April 2004, the Federal Court of Appeal dismissed TCPL's appeal. TCPL remains disappointed with the Fair Return Decision; however, the Federal Court of Appeal decision extinguished any means of having it varied. In the 2002 Fair Return Decision, the NEB denied an application by TCPL requesting the adoption of an after-tax weighted average cost of capital methodology for establishing investment return and an after-tax weighted average cost of capital of 7.5 per cent, equivalent to a 12.5 per cent rate of return on deemed common equity of 40 per cent. The NEB instead affirmed a formula under which the rate of return on common equity ("*ROE*") for the Canadian Mainline was determined to be 9.61 per cent in 2001, 9.53 per cent in 2002 and 9.79 per cent in 2003. The NEB increased deemed common equity to 33 per cent from the previously approved level of 30 per cent. TCPL is of the belief that the Fair Return Decision does not recognize the long-term business risks of the Canadian Mainline.

In January 2004, TCPL filed an application with the NEB to determine 2004 Canadian Mainline tolls and the NEB, because of the then pending appeal to the Federal Court of Appeal regarding the Fair Return Decision, decided to hear the application in two phases: Phase I which addressed all matters except cost of capital and Phase II which addressed cost of capital. As part of Phase I of the application, TCPL originally requested an 11 per cent return on deemed common equity of 40 per cent, however, given the Federal Court of Appeal's dismissal of TCPL's appeal respecting its request of the NEB to review the Fair Return Decision, TCPL amended the application so as to request an ROE of 9.56 per cent, as determined under the NEB's generic ROE formula on deemed common equity of 40 per cent. In its Phase I decision issued in September 2004, the NEB approved virtually all applied-for costs and the new Firm Transportation — Non Renewable service. The NEB considered the cost of capital portions of TCPL's application in Phase II of the proceeding and a decision on Phase II is expected in the second quarter of 2005.

In February 2005, TCPL announced that it had reached a settlement with its Canadian Mainline shippers regarding the tolls and tariff that are applicable to the Canadian Mainline in 2005.

Further information about regulatory development involving the Canadian Mainline can be found in the MD&A under the headings "Gas Transmission — Regulatory Developments — Canadian Mainline" and "Consolidated Financial Review — Gas Transmission".

Alberta System

The Alberta System, held by NOVA Gas Transmission Ltd. ("*NGTL*"), a subsidiary of TCPL, is an Alberta-wide natural gas transmission system that collects and transports natural gas for use in Alberta and for delivery to connecting pipelines, such as the Canadian Mainline, the Foothills System and the BC System, as well as to other unaffiliated pipelines, at various points on the Alberta border for delivery to eastern Canada, B.C. and the U.S. The Alberta System includes 23,186 kilometres of mainlines and laterals. On October 1, 2004, the Simmons Pipeline System, which delivers gas to the Fort McMurray area, became part of the Alberta System.

Capital expenditures, which are dependent in part upon requests for increased transportation service by customers, were $87 million in 2004. TCPL anticipates approximately $97 million of capital spending on the Alberta System in 2005. These capital expenditures will be primarily related to capacity expansion.

The following table sets forth the annual volumes delivered by the Alberta System for the years ended December 31, 2004 and 2003.

Deliveries to Market Areas	**2004** Volume[(1)] (Bcf)	**2004** Per cent	**2003** Volume[(2)] (Bcf)	**2003** Per cent
Alberta	589	15	539	14
Eastern Canada and Eastern United States	1,418	36	1,552	40
Western United States	737	19	665	17
Midwestern United States	1,155	30	1,117	29
B.C.	10	—	10	—
Total	3,909	100	3,883	100

Notes:

(1) Of the total volumes transported in 2004, 1.80 Tcf of natural gas was delivered to the Canadian Mainline, 743 Bcf of natural gas was delivered to the BC System and 768 Bcf of natural gas was delivered to the Saskatchewan portion of the Foothills System.

(2) Of the total volumes transported in 2003, 1.89 Tcf of natural gas was delivered to the Canadian Mainline, 673 Bcf of natural gas was delivered to the BC System and 777 Bcf of natural gas was delivered to the Saskatchewan portion of the Foothills System.

Alberta System Contracted Firm Transportation Services

As of Year End, the Alberta System was providing transportation for 282 shippers pursuant to approximately 18,300 firm service transportation contracts.

As of Year End, the weighted average remaining term of firm transportation contracts was approximately 2.9 years, compared to a weighted average remaining term of 2.4 years as of December 31, 2003. Currently, these contracts are renewable by the customer providing notice to NGTL at least twelve months prior to the expiry of the current contract term.

Further information about the Alberta System can be found in the MD&A under the headings "Gas Transmission — Earnings Analysis" and "Gas Transmission — Opportunities and Developments".

Regulation of the Alberta System

The construction and operation of the Alberta System is regulated by the Alberta Energy and Utilities Board ("*EUB*") primarily under the provisions of the *Gas Utilities Act* (Alberta) and the *Pipeline Act* (Alberta). NGTL also requires the EUB's approval for rates, tolls and charges, and the terms and conditions under which it provides its services. Under the provisions of the *Pipeline Act*, the EUB oversees various matters, including the economic, orderly and efficient development of the pipeline, the operation and abandonment of the pipeline, 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, and require certain approvals under, other provincial legislation such as the *Environmental Protection and Enhancement Act* (Alberta).

Alberta System tolls are designed to generate sufficient revenues for NGTL to recover operating expenses, depreciation, taxes and financing costs of the Alberta System, including interest on debt and payments on securities attributable to the Alberta System, together with a return on deemed common equity.

In 2004, TCPL received two significant regulatory decisions from the EUB in respect of the Alberta System which were disappointing.

In July 2004, the EUB released its decision in the generic cost of capital ("*GCOC*") proceeding. All Alberta provincially regulated utilities, including the Alberta System, were mandated an ROE of 9.60 per cent for 2004. This generic ROE will be adjusted annually by 75 per cent of the change in long-term Government of Canada bonds from the previous year, consistent with the approach used by the NEB. The EUB also established a deemed common equity of 35 per cent for the Alberta System. This result was less than the applied for ROE of 11 per cent on deemed common equity of 40 per cent, which the company considered to be a fair return.

In September 2003, TCPL filed Phase I of the 2004 General Rate Application ("*GRA*") with the EUB, consisting of evidence in support of the applied-for rate base and revenue requirement. In its August 2004 decision, the EUB approved TCPL's purchase of the Simmons Pipeline System and the recovery of costs associated with firm transportation service arrangements with the Foothills, Simmons and Ventures LP systems; however, the EUB decision disallowed certain operating costs, including incentive compensation costs.

In September 2004, TCPL filed with the Alberta Court of Appeal for leave to appeal the EUB's decision on Phase I of the 2004 GRA with respect to the disallowance of applied-for incentive compensation costs. TCPL believes the EUB made errors of law in deciding to deny the inclusion of these compensation-related costs in the revenue requirement which it considers necessary and prudent for the safe, reliable and efficient operation of the Alberta System. At TCPL's request, the Court of Appeal adjourned the appeal for an indefinite period of time to allow TCPL to consider the merits of a review and variance application to the EUB in respect of 2004 costs, and work toward a negotiated settlement of future years' tolls with its customers which would replace or amend TCPL's 2005 GRA. In September 2004, the EUB gave approval for TCPL to enter into negotiations for a settlement that would not exceed three years.

In December 2004, the EUB approved interim rates that were effective in 2004 as final rates and approved interim rates effective January 1, 2005, which will remain in place until final 2005 rates are determined. In addition, in February 2005, TCPL reached an agreement in principle with its Alberta System shippers in respect of a revenue requirement settlement for the period from January 1, 2005 until December 31, 2007. TCPL is proceeding with finalizing the terms of the settlement with the negotiating parties and anticipates executing the settlement agreement in March 2005. TCPL expects to file the settlement agreement with the EUB for approval, shortly thereafter.

Further information about regulatory developments involving the Alberta System can be found in the MD&A under the headings "Gas Transmission — Regulatory Developments — Alberta System" and "Consolidated Financial Review — Gas Transmission".

Tolling Methodology for the Alberta System

The current tolling methodology and rate design for the Alberta System features differentiated pricing for each gas receipt point on the Alberta System. The receipt-point price is dependent on geographic location, the diameter of the pipe through which the customer's natural gas travels, and the term of the transportation contract.

Foothills System

The Foothills System, which is regulated by the NEB and the Northern Pipeline Agency of Canada, is a 1,040 kilometre natural gas pipeline that transports western Canadian natural gas from central Alberta to connecting pipelines for transportation to markets in the U.S. Midwest, Pacific Northwest, California and Nevada. TCPL merged Foothills' operations with its own in February 2004. TCPL previously held a 50 per cent interest in Foothills and in August 2003, acquired the remaining interest.

The Alaska Highway Pipeline Project, which will bring Prudhoe Bay natural gas from Alaska to markets in Canada and the U.S., involves pipeline construction in Canada and Alaska. Foothills holds the priority right to build, own and operate the first pipeline through Canada for the transportation of Alaskan gas. This right was granted under the *Northern Pipeline Act* of Canada following a lengthy competitive hearing before the NEB in the late 1970's which resulted in a decision in favor of Foothills.

TCPL spent approximately $1 million on the Foothills System in 2004 and anticipates that it will spend approximately $2 million on the Foothills System in 2005, primarily for maintenance capital.

BC System

The BC System, which is regulated by the NEB, consists of 201 kilometres of pipeline that carries natural gas from a connecting point with the Alberta System through the southeastern corner of B.C. to connect with the GTN System at the Canada — U.S. border near Kingsgate, B.C. The GTN System delivers gas to markets in California, Nevada and the northwestern U.S. Further information can be found about the GTN System under the heading “General Development of the Business — Developments in Gas Transmission Business — 2004”, above and under the heading “Business of TCPL — Gas Transmission — Wholly Owned Pipelines — GTN System”, below.

In 2004, capital expenditures on the BC System were approximately $1 million, primarily for maintenance capital. TCPL anticipates approximately $2 million of capital spending on the BC System in 2005, primarily for maintenance capital.

The BC System is regulated on a complaint basis and the tolls are based on a cost-of-service methodology. In December 2003, the NEB adopted interim rates and charges for 2004 pending the resolution of compensation cost issues with shippers on the BC System. As discussions continue in an effort to resolve these issues, the BC System closed the year on interim rates. On December 23, 2004, the NEB adopted new interim rates and charges for 2005, again pending resolution of the outstanding issues.

GTN System

The GTN System, which is a natural gas pipeline system regulated by FERC, is comprised of more than 2,174 kilometres of pipeline and runs from a connection point on TCPL’s BC System near Kingsgate, B.C. on the B.C.-Idaho border to a point near Malin, Oregon on the Oregon-California border. The natural gas transported on this system originates primarily in Canada and is supplied to the Pacific Northwest, California and Nevada.

As of Year End, 95 per cent of the GTN System’s available long-term firm capacity was held among 43 shippers. The volume-weighted average remaining term of those contracts was approximately ten years. The GTN System operates under fixed rate models.

TCPL acquired the GTN System in November 2004 and anticipates approximately $11 million of capital spending on it in 2005, primarily for maintenance capital.

North Baja System

The North Baja System is a 128 kilometre natural gas pipeline which extends from a point near Ehrenberg, Arizona to a point near Ogilby, California on the California — Mexico border. The natural gas transported on the North Baja System comes primarily from supplies in the southwestern U.S. for markets in northern Baja California, Mexico. FERC also regulates the North Baja System.

During 2004, the North Baja System provided long-term transportation service to four customers. As of Year End, the volume-weighted average remaining term of all long-term contracted capacities on the North Baja System was approximately 18 years. Long-term firm service accounted for 93 per cent of the North Baja System’s total transportation revenue and transported volumes in 2004. Like the GTN System, the North Baja System operates under fixed rate models.

TCPL acquired the North Baja System in November 2004 and anticipates spending approximately $2 million on capital expenditures in 2005. The majority of these capital expenditures relate to accommodating future gas supplies from LNG facilities on the Pacific Coast of Mexico, which are expected to be operational in 2007.

Other Gas Transmission

TCPL actively pursues natural gas pipeline and pipeline-related development, acquisition and operation opportunities in Canada and the U.S., where these opportunities are driven by strong customer demand.

Great Lakes

TCPL holds a 50 per cent interest in the Great Lakes System which is a 3,387 kilometre pipeline system which is operated by Great Lakes Gas Transmission Limited Partnership. The Great Lakes System transports Canadian natural gas from its interconnection with the Canadian Mainline at Emerson, Manitoba to markets in central Canada through an interconnect at St. Clair, Ontario as well as markets in the eastern and midwestern U.S. The Great Lakes System’s rates are based on a five year settlement agreement which was approved by FERC in 2001 and is effective until October 31, 2005.

TC PipeLines, L.P.

TC PipeLines, L.P., a U.S. publicly-held limited partnership, was formed to acquire, own and participate in the management of U.S. based pipeline assets which are regulated by FERC. In May 1999, TCPL's 30 per cent general partner interest in Northern Border Pipeline was conveyed to TC PipeLines, L.P. in exchange for cash and a 33.4 per cent interest in TC PipeLines, L.P., 31.4 per cent of which is comprised of units and two per cent of which is a general partnership interest. TC PipeLines, L.P. issued the balance of the units to the public. The main asset of TC Pipelines, L.P. is the 30 per cent interest in Northern Border Pipeline which operates a 2,010 kilometre natural gas pipeline system which connects with the Foothills System at the Saskatchewan — Montana border and serves the midwestern U.S., terminating at North Hayden, Indiana. In October 2001, Northern Border Pipeline completed a 55 kilometre pipeline extension and installed additional compression that provided 545 MMcf/d of incremental transportation capacity to North Hayden, Indiana and expanded Northern Border Pipeline's delivery capability into the Chicago area by approximately 30 per cent.

In September 2000, TC PipeLines, L.P. acquired a 49 per cent general partnership interest in Tuscarora from TCPL. Tuscarora owns a 386 kilometre natural gas pipeline system which transports natural gas from Malin, Oregon to Wadsworth, Nevada and delivers to points in northeastern California. In January 2001, the Tuscarora system was extended by the addition of a second citygate connection to the expanding Reno, Nevada metropolitan market.

A subsidiary of TCPL acts as the general partner of TC PipeLines, L.P.

Iroquois

The Iroquois System, which is regulated by FERC, connects with the Canadian Mainline near Waddington, New York and delivers natural gas to customers in the northeastern U.S. TCPL's aggregate interest in the Iroquois System, through two subsidiaries, is approximately 41 per cent.

Iroquois' Eastchester extension and expansion was completed and the facilities were put into service in February 2004. This expansion extends the Iroquois System from Long Island into New York City, adding 59 kilometres to the Iroquois System and will provide an additional 230 MMcf/d of new service into this market. The Iroquois System is now 663 kilometres in length.

In January 2004, Iroquois filed a rate application with FERC to establish rates for the Eastchester expansion. As a result of settlement conferences held in June and July 2004, Iroquois submitted a comprehensive settlement agreement to FERC in August 2004, which was approved by FERC in October 2004. The settlement agreement provides for recourse rates applicable until 2011 and implements an eight year rate moratorium for Eastchester.

Trans Québec & Maritimes

TCPL holds a 50 per cent interest in the 572 kilometre TQM System which connects with the Canadian Mainline. TQM serves markets in Québec and connects with the Portland system. The TQM System is regulated by the NEB.

Portland

TCPL holds a 61.7 per cent controlling interest in Portland which is a 471 kilometre interstate pipeline that interconnects with the pipeline system of TQM at the U.S.-Canada border near East Hereford, Québec, and with the Tennessee Gas Pipeline in Haverhill and Dracut, Massachusetts. The southern sections of Portland's system, consisting of 163 kilometres of pipeline, are part of the joint facilities shared with the Maritimes and Northeast Pipeline. Portland holds a one-third ownership interest in the joint facilities. Portland is regulated by FERC.

In August 2004, Portland initiated a restructuring plan whereby all of its operating and administrative functions would be performed by TCPL pursuant to a services agreement. The transition of duties was completed by November 2004.

Northern Development

In 2004, TCPL continued to pursue pipeline opportunities to move both Mackenzie Delta and Alaska North Slope natural gas to markets throughout North America. TCPL worked with key stakeholders in the interest of participating in these pipeline projects, as set out below:

TCPL, the Mackenzie Producers and the APG reached funding and participation agreements in June 2003. These agreements secured a role for TCPL in the proposed Mackenzie Gas Pipeline Project and entitled the APG to become an equity participant. The Mackenzie Gas Pipeline Project involves the construction and operation of a natural gas pipeline system in the Mackenzie Valley that would move Mackenzie Delta natural gas from Inuvik, Northwest Territories to the northern border of Alberta, where it would connect with the Alberta System. TCPL has agreed to finance the APG for its one-third share of project development costs. This share is currently expected to be $90 million. This loan will be repaid from the APG's share of available future pipeline revenues. TCPL funded $34 million of this loan in 2003 and another $26 million in 2004, for a total funding of $60 million to date.

In October 2004, Imperial Oil Resources announced that applications for the main regulatory approvals for the Mackenzie Gas Pipeline Project had been submitted to the boards, panels and agencies responsible for assessing and regulating energy developments in the Northwest Territories. These filings mark a significant milestone in the project definition phase.

In 2004, TCPL continued its discussions with Alaska Highway pipeline stakeholders including Alaska North Slope producers and the State of Alaska, relating to the Alaskan portion of the Alaska Highway pipeline project. In June 2004, TCPL filed an application under the State of Alaska's *Stranded Gas Development Act*, and requested the State to resume processing the long pending application for a right of way lease across State lands. Once the right of way lease application is approved, TCPL is prepared to convey the right of way lease to another entity if that entity is willing to connect with TCPL's pipeline system. The lease conveyance would require an interconnection agreement with TCPL at the Yukon — Alaska border.

In January 2004, Foothills and the Kaska First Nation signed an Agreement in Principle that provides the framework for a future participation agreement. The Agreement in Principle marks the completion of the second stage of negotiations related to a potential participation agreement for the Alaska Highway Pipeline Project.

Liquefied Natural Gas

In September and November of 2004, TCPL announced plans for the development of two significant LNG facilities: the Cacouna Energy LNG facility and the offshore Broadwater Energy LNG regasification terminal. These developments are more fully described under the heading "General Development of the Business — Developments in Gas Transmission Business — 2004", above in this AIF.

Ventures LP

TransCanada Pipeline Ventures Limited Partnership ("*Ventures LP*"), which is wholly owned by TCPL, owns a 121 kilometre pipeline and related facilities, which supply natural gas to the oil sands region of northern Alberta, and a 27 kilometre pipeline which supplies natural gas to a petrochemical complex at Joffre, Alberta.

CrossAlta

TCPL holds a 60 per cent interest in the Crossfield Storage Joint Venture which controls an underground gas storage facility near Crossfield, Alberta. The facility is commercially operated on behalf of the joint venture by CrossAlta Gas Storage & Services Ltd., in which TCPL also holds a 60 per cent interest.

TransGas

TCPL holds a 46.5 per cent interest in TransGas de Occidente S.A., a Colombian corporation which operates a 344 kilometre natural gas pipeline between the cities of Mariquita and Cali, Colombia.

Gas Pacifico

TCPL holds a 30 per cent interest in Gasoducto del Pacifico ("*Gas Pacifico*"), a 540 kilometre natural gas pipeline from Argentina to Concepción, Chile.

Innergy

TCPL holds a 30 per cent interest in INNERGY Holdings S.A., an industrial natural gas transportation and marketing company operating in the area of Concepción, Chile, which markets natural gas transported on the Gas Pacifico system.

Regulation of North American Pipelines

Under the *National Energy Board Act* (Canada), the NEB regulates the construction and operation of interprovincial pipelines and the Canadian portion of international pipelines as well as the traffic, tolls and tariffs applicable to those pipelines. The NEB also approves the import and export of natural gas.

Pipelines located within provincial boundaries are regulated by the applicable provincial regulatory body.

The construction and operations of the Alberta System and Ventures LP's pipeline are regulated by the EUB.

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

Further information about the regulation of the Canadian Mainline, Alberta System and other pipeline systems, can be found under the heading "Business of TCPL — Gas Transmission — Wholly Owned Pipelines" above.

Competition in Gas Transmission

TCPL's wholly-owned pipelines are connected to and supplied by one of North America's largest natural gas basins, the WCSB. However, the WCSB is maturing and it will be a challenge for producers to increase production in this basin. Other pipeline systems connected to the WCSB, including some of TCPL's interconnected pipelines, have expanded in the last few years. These expansions have provided shippers with additional flexibility and competitive choices when moving WCSB supplies to market. The WCSB gas supply is expected to remain essentially flat.

The Alberta System is the primary transporter of natural gas within the province of Alberta and to provincial boundary points. However, there are a number of alternative pipelines which offer price advantages and which compete with the Alberta System. In anticipation of and in response to these developments, the Alberta System's current tolling methodology was designed to enhance NGTL's ability to provide competitive pricing and service flexibility and to provide TCPL with the ability to respond to potential future export bypass pipelines.

The Canadian Mainline is now one of five natural gas pipelines providing transportation service from the WCSB. Increased competition has led to the non-renewal of some of the firm service contracts on the Alberta System and the Canadian Mainline, and has led to decreased utilization on certain pipeline segments.

Further information about business risks in Gas Transmission can be found under the heading "Risk Factors — Gas Transmission" below and in the MD&A under the headings "Gas Transmission — Opportunities and Developments" and "Gas Transmission — Business Risks".

Research and Development

In 2004, TCPL spent approximately $7.0 million on research and development activities of which approximately $2.5 million related to research on pipeline integrity management, approximately $3.0 million on other regulated pipeline activities and approximately $1.5 million on non-regulated pipeline ventures.

Power

The Power segment of TCPL's business includes the acquisition, development, construction, ownership, operation and management of power plants, the marketing of electricity and the provision of electricity account services to energy and industrial customers.

The power plants and power supply that TCPL owns, operates and/or controls, including those under development or in construction, in the aggregate, represent approximately 5,700 MW of power generation capacity in Canada and the U.S.

TCPL owns and operates:

- gas-fired cogeneration plants in Alberta at Carseland (80 MW), Redwater (40 MW), Bear Creek (80 MW) and MacKay River (165 MW);
- a gas-fired cogeneration Grandview plant (90 MW) near Saint John, New Brunswick;
- a waste-heat fuelled power plant at the Cancarb facility in Medicine Hat, Alberta (27 MW); and
- a gas-fired, combined-cycle Ocean State Power plant in Burrillville, Rhode Island (560 MW).

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

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

TCPL owns, but does not operate:

- a 31.6 per cent interest in the nuclear power generation facilities of Bruce Power in Ontario (1,485 MW of a total of 4,700 MW that is in operation); and
- a 17 per cent interest in Huron Wind L.P. whose assets are located at the Bruce Power site (2 MW of a total of 9 MW that is in operation).

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

- the 550 MW gas-fired cogeneration Bécancour plant near Trois-Rivières, Québec, which is expected to be completed in late 2006; and
- a 62 per cent interest in Cartier Wind Energy which will construct six wind energy projects in the Gaspé region of Québec (458 MW of a total of 739.5 MW).

TCPL is in the process of acquiring hydroelectric generation assets from USGen which are located on two rivers in New England and which will have a generating capacity of up to 518 MW, which excludes the generating capacity of the Bellows Falls facility (49 MW) as this plant is the subject of a purchase option held by a third party which has been exercised but not yet closed.

TCPL has a power marketing office in Westborough, Massachusetts to manage the Ocean State Power purchase agreements and fulfill supply obligations, and to take advantage of additional marketing opportunities in the New England and New York markets. The office also markets the output of Power LP's Castleton power plant.

Operations and maintenance services for the Bruce Power plant continue to be supplied by Bruce Power management and staff. Bruce Power leases the Bruce Power facilities from OPG and currently operates six nuclear power units out of the eight on site. The two units that are not being operated are laid up. Bruce Power sells the output from the operating units through a combination of fixed-price contracts and spot market sales. Bruce Power is the tenant under a long-term lease with OPG and under the terms of the lease, spent fuel and site decommissioning liabilities remain the responsibility of OPG. Bruce Power is subject to risks related to the operation and maintenance of the nuclear power generating facilities, including risks relating to the use, handling, containment and storage of radioactive materials; limitations on the amounts and types of insurance that are commercially available to cover any related liabilities that may arise from these operations; changes in and varying interpretations of the extensive federal regulations that apply to Bruce Power's nuclear operations; modifications needed to meet increasing security requirements; and repairs, modifications, replacements and outages that may be necessitated as a result of testing and inspection programs which, themselves, may need to be enhanced in coming years to improve operations or satisfy increasing regulatory or other requirements.

Late in the fourth quarter of 2004, TCPL responded to the Ontario government's Request for Proposals for 2,500 MW of new electricity generation capacity. TCPL and OPG, through their limited partnership, Portlands Energy Centre L.P., responded by proposing a 550 MW combined-cycle natural gas-fuelled power plant that would be located in the Portlands area of downtown Toronto, Ontario. TCPL, in its own right, responded to the Request for Proposals with another, unrelated proposal.

TCPL continues to investigate potential power investment opportunities throughout North America, including a potential investment, together with its Bruce Power partners, in the Point Lepreau nuclear generating station in New Brunswick. The Point Lepreau facility, which is indirectly owned by the New Brunswick provincial government, is a 680 MW nuclear power plant with a CANDU reactor similar to the reactors operated by Bruce Power. No decision has been made by TCPL and its partners as to whether an investment will be made in the Point Lepreau facility; however, discussions are ongoing with New Brunswick Power.

TransCanada Power, L.P.

TCPL is the general partner of, manages and operates Power LP and holds 30.6 per cent of its outstanding limited partnership units. Power LP is a publicly-held limited partnership that owns eleven power plants in Canada and the U.S. which generate approximately 744 MW of power. It is one of the largest publicly traded power limited partnerships in Canada with a market capitalization of approximately $1.7 billion. TCPL supplies the natural gas fuel and waste heat for certain of Power LP's plants and buys output from one of the plants.

Power LP owns:

- the combined-cycle power plants, fuelled by a combination of natural gas and waste heat from adjacent TCPL compression facilities in Tunis (43 MW), Nipigon (40 MW), Kapuskasing (40 MW) and North Bay (40 MW), all in Ontario;
- a natural gas cogeneration plant at Castleton-on-Hudson, New York (64 MW);
- a wood-waste fuelled power plant at Williams Lake, B.C. (66 MW);
- the wood-waste and waste heat Calstock power plant near Hearst, Ontario (35 MW);
- the simple-cycle ManChief power plant near Brush, Colorado (300 MW);
- the Curtis Palmer hydroelectric power facilities on the Hudson River near Corinth, New York (60 MW);
- the run-of-river hydroelectric facility on the Mamquam River north of Vancouver (50 MW); and
- the three-unit reservoir based hydroelectric Queen Charlotte station facility located on Moresby Island in B.C. (6 MW).

Other Power

PT Paiton

TCPL effectively holds an approximate 11 per cent interest in PT Paiton Energy Company, which owns a power project consisting of two 615 MW coal-fired power units located in Indonesia.

Power Performance

The following tables set forth the revenues earned, power volumes marketed and generation capacity in Canada and the U.S. for the years ended December 31, 2004 and 2003 from TCPL's power operations.

	2004		2003	
	Revenues (millions of dollars)	Per cent	Revenues (millions of dollars)	Per cent
Revenues(1)				
Canada — Domestic	706	59	765	55
Canada — Export	2	—	2	—
United States	482	41	634	45
Total	1,190	100	1,401	100

	2004		2003	
	Volume (gigawatt hours)	Per cent	Volume (gigawatt hours)	Per cent
Volumes Sold(2)(3)(4)				
Canada — Domestic	24,426	79	20,575	74
Canada — Export	37	—	38	—
United States	6,457	21	7,397	26
Total	30,920	100	28,010	100

	2004		2003	
	Generation (MW)	Per cent	Generation (MW)	Per cent
Generation Capacity(2)(3)(4)(5)(6)				
Canada	3,112	76	2,641	73
United States	984	24	984	27
Total	4,096	100	3,625	100

Notes:

(1) 2004 revenues reflect the sale of Curtis Palmer and ManChief facilities to Power LP on April 30, 2004.

(2) Includes 100 per cent of volumes sold by, and the generation capacity of, Power LP (after eliminating intercompany transactions with TCPL).

(3) TCPL, directly or indirectly, acquires 560 MW from Sundance A and 353 MW from Sundance B through long-term power purchase arrangements, which represent 100 per cent of the Sundance A and 50 per cent of the Sundance B power plant output, respectively.

(4) Sales volumes in 2003 reflect TCPL's 31.6 per cent share of Bruce Power output from the acquisition date of February 14, 2003.

(5) 2004 excludes Bécancour (550 MW) and Grandview (90 MW) which were not in commercial service at Year End. 2003 excludes MacKay River (165 MW), Bécancour (550 MW), Grandview (90 MW) and Bruce, Unit 3 (237 MW) which were not in commercial service at December 31, 2003.

(6) Excludes USGen generation capacity (518 MW, excluding the Bellows Falls facility), which TCPL expects to acquire in 2005. Also excludes TCPL's proportionate share of Cartier Wind Energy's generation capacity (458 MW) which is under development.

Regulation of Power

Deregulation of the power industry is proceeding at different stages throughout most of the markets in which TCPL currently operates, which are primarily Alberta, Ontario and the northeastern U.S. In 2001, Alberta deregulated its generation assets and opened the market for retailers and wholesalers. In May 2002, the government of Ontario created a competitive, bid-based wholesale market for electricity in Ontario, a process that began with legislation first enacted under the *Electricity Act* in 1998. Later in 2002, after considerable volatility and rising prices under this new market, the government of Ontario instituted retail price caps, effectively shielding eligible customers from wholesale price volatility. After a change in government in Ontario, these retail caps were increased on April 1, 2004, to better reflect the cost of electricity. These caps do not directly affect the wholesale market in which TCPL is primarily focused. In December 2004, the government of Ontario again restructured the Ontario markets by passing the *Electricity Restructuring Act*, 2004 ("*ERA*"). Among other things, the ERA places certain of the Ontario Power Generation Corporation's baseload nuclear and hydro generation assets under direct rate regulation by the Ontario Energy Board. Bruce Power was not affected by this legislation and remains a participant in the wholesale market in Ontario. Bruce Power is presently in discussions with a provincially appointed negotiator respecting the possible restart of Bruce Power's units 1 and 2. It is unclear whether these negotiations will result in any change to the commercial context in which Bruce Power operates. In addition, the ERA provides for a return to coordinated system planning by the newly created Ontario Power Authority ("*OPA*"), which is charged with managing the long-term supply of electricity in Ontario. The OPA will assume responsibility for procuring electricity supply through requests for proposals or otherwise, and will enter into new power purchase agreements with generators responding to procurement initiatives. It is possible that these and subsequent changes in Ontario's power industry, will have both positive and negative impacts on TCPL's Ontario power operations.

TCPL's investment in Ocean State Power and TCPL's U.S. electric power marketing activities are subject to the jurisdiction of FERC under the U.S. *Federal Power Act*, as well as to the jurisdiction of certain state regulatory authorities in which the generation facilities are located. In 1998 and 1999, respectively, FERC began operation of competitive, bid-based wholesale power markets in New England and New York. These markets continue to evolve through consultation with government, regulators and market stakeholders. The northeastern markets in which TCPL operates are converging in terms of structure with the recent adoption of Standard Market Design elements that have been defined by FERC.

Competition in Power

TCPL's power business has operated and continues to operate in highly competitive markets with many participants that are driven mainly by price. TCPL mitigates the effects of short-term changes in the market using various forms of hedging, including entering into fixed price forward sales. The quantity and term of such forward sales varies by region and depends on liquidity of markets in these regions. TCPL also retains an amount of unsold generation capacity in order to preserve its flexibility in the short-term to manage TCPL's portfolio of assets.

Further information about business risks in TCPL's power business can be found in the MD&A under the heading "Risk Factors — Power" below and in the MD&A under the heading "Power — Business Risks".

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.

Discontinued Operations

Since 1999, TCPL has focused on natural gas transmission and power generation in North America. During that time, TCPL sold substantially all of its assets in the international, midstream, and oil and gas marketing businesses. For further information about Discontinued Operations please refer to the MD&A under the heading "Corporate — Discontinued Operations".

HEALTH, SAFETY AND ENVIRONMENT

TCPL is committed to providing a safe and healthy environment for its employees and the public, and to the protection of the environment. Health, safety and environment ("*HS&E*") is a priority in all of TCPL's operations. The HS&E Committee of TCPL's Board of Directors ("*Board*") monitors compliance with the TCPL HS&E corporate policy through regular reporting by TCPL's department of Community, Safety & Environment. TCPL's senior executives are also committed to ensuring TCPL is in compliance with its policies and is an industry leader. Senior executives are regularly advised of all important operational issues and initiatives relating to HS&E by way of a formal reporting process. In addition, TCPL's management system and performance in the HS&E area 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 completed by PricewaterhouseCoopers in January of 2004. These assessments involve senior executive interviews, review of policies and objectives, performance measurement and reporting.

TCPL has an HS&E management system modeled after elements of the International Organization for Standardization's standard for environmental management systems which is known as ISO 14001, to facilitate the focus of resources on the areas of greatest risk to the organization's business activities relating to HS&E. It highlights opportunities for improvement, enables TCPL to work towards defined HS&E expectations and objectives, and provides a competitive business advantage. HS&E outside, independent assessments, management system assessments and planned inspections are used to assess both the effectiveness of implementation of HS&E programs, processes and procedures, and 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

The most significant environmental issues facing TCPL relate to climate change. Climate change is a strategic issue for TCPL, particularly in light of the Canadian government's ratification of the Kyoto Protocol which came into force in February 2005 and requires Canada to reduce its greenhouse gas emissions significantly. The Canadian government is currently developing the policies relating to how it intends to meet these reduction targets and, until it is completed, TCPL cannot predict the degree to which it will be affected. TCPL has had a comprehensive climate change strategy in place since 1999, which includes five key areas of activity:

- Participation in policy forums;
- Implementation of direct emissions reduction programs;
- Assessment of new technology;
- Evaluation of emissions trading mechanisms; and
- Assessment of business opportunities.

Activities in each of these areas occurred in 2004 and will continue in 2005.

TCPL received its sixth consecutive gold level reporting status for its 2004 Climate Change and Air Issues Annual Report from the Canadian GHG Challenge Registry which was formerly the Voluntary Challenge and Registry ("*VCR*") program. To achieve gold level status, reports are rated in several categories. Only 12 per cent of the submissions to the registry have received gold level reporting recognition. In 2004, the VCR program was replaced with the Canadian GHG Challenge Registry as a result of the Canadian government passing legislation to mandate greenhouse gas emissions reporting.

LEGAL PROCEEDINGS

The Canadian Alliance of Pipeline Landowners' Association and two individual landowners have commenced an action 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.* TCPL believes the claim is without merit and will vigorously defend the action. TCPL has made no provision for any potential liability. A 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

TCPL's auditor is KPMG LLP and as of March 1, 2005, the partners of KPMG LLP do not hold any registered or beneficial ownership, directly or indirectly, in the securities of TCPL or TransCanada.

RISK FACTORS

A number of factors, including but not limited to those discussed in this section, could cause actual results or events to differ materially from current expectations.

TCPL's businesses are highly complex and are dispersed over tens of thousands of square kilometres, often in remote locations. Pipeline and power facilities are subject to operational risks, including mechanical failure, physical degradation, operator error, manufacturer defects, labour disputes, terrorism, failure of supply, catastrophic events and natural disasters. The occurrence or continuation of such events could increase TCPL's costs and reduce its ability to transport natural gas or generate power.

Gas Transmission

TCPL faces competition in its gas transmission business at both the supply and market ends of its systems. The competition is a result of other pipelines accessing an increasingly mature WCSB and serving some of the same markets as TCPL. In addition, the continued expiration of firm transportation contracts has resulted in significant reductions in firm contracted capacity on both the Canadian Mainline and Alberta System. As well, regulatory decisions continue to have significant impact on the financial returns for and future investments in TCPL's Canadian wholly-owned pipelines.

Further information about competition risks in TCPL's natural gas transmission business can be found under the heading "Business of TCPL — Gas Transmission — Competition in Transmission" above and in the MD&A under the headings "Gas Transmission — Opportunities and Developments" and "Gas Transmission — Business Risks".

Power

TCPL's power business and investments can be affected by a variety of factors including competition from other market participants, fluctuating market demand, reliance on the supply of feed stocks such as natural gas, wood waste, water, coal and uranium, fluctuating feed stock prices, fluctuating electricity prices, unexpected outages, third party power plant operator performance, power transmission disruptions and regulatory changes and influences.

Further information about competition risks in TCPL's power business can be found under the headings "Business of TCPL — Power — Competition in Power" above and in the MD&A under the heading "Power — Business Risks".

International

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

Corporate

TCPL carries on its businesses with numerous counterparties with a wide range of creditworthiness. While processes are followed to address the creditworthiness of these counterparties, the failure of any counterparty to meet its financial obligations could have an impact on TCPL's financial position. Such failure could result from a number of factors beyond TCPL's control, including (but not limited to) fluctuating energy prices, currency exchange and interest rates, changes in regulatory and economic environments, political instability and legally reviewable activities.

TCPL operates primarily in Canada and the U.S. and as a result, its financial performance can be impacted by interest rates and foreign exchange rates. TCPL has an active hedging program in place to address interest and foreign exchange rate risks, but there can be no assurance that such hedging will be adequate to address the risks.

TCPL's growth strategy is dependent upon acquiring or constructing facilities and businesses that align with or complement its current businesses. TCPL may incur costs in the pursuit of acquisitions or development of power or natural gas transmission assets that may not be completed. Failure by TCPL to consummate negotiated acquisitions or new developments may result in contractual liabilities, liquidated damages, additional costs and expenses which could affect financial performance.

TCPL's growth is also dependent on access to capital markets in the U.S. and Canada. Although significant credit facilities are currently available, changing market conditions could result in a materially increased cost of, or reduced access to capital which would reduce TCPL's ability to pursue growth opportunities.

Further information about TCPL's risk factors and risk management can be found in the MD&A under the headings "Gas Transmission — Business Risks", "Power — Business 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 has no 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 restrict or alter TCPL's ability to declare or pay dividends.

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

	2004	2003	2002
Dividends declared on common shares[(1)]	1.17	1.08	1.00
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

Note:

(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 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 480,668,110 were issued and outstanding at Year End which are held entirely by TransCanada, as well as an unlimited number of first 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 the first preferred shares.

Common Shares

As the holder of all of TCPL's issued 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 sanction of the holders of the first preferred shares as a class. Any such sanction 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 tables sets out the issuances of senior unsecured notes with terms to maturity in excess of one year, of TCPL during the 12 months ended, December 31, 2004:

Date Issued	Issue Price per $1,000 Principal Amount of Notes	Aggregate Issue Price
February 11, 2004	$998.96	$199,792,000
March 25, 2004	US$996.53	US$348,786,000
October 7, 2004	US$997.99	US$299,397,000

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.

RATINGS

The following table sets out the credit ratings of 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	A	A2	A−
Medium-term Notes	A	A2	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	Stable	Negative

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.

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 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 of all of the commons 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, 2004	30.35	28.51	18,175,381
November, 2004	29.52	27.00	17,243,717
October, 2004	28.31	26.98	21,415,001
September, 2004	28.60	27.11	29,869,649
August, 2004	27.72	26.28	14,911,517
July, 2004	26.79	25.37	17,985,303
June, 2004	27.30	25.70	21,550,578
May, 2004	28.39	26.92	19,232,179
April, 2004	29.40	26.31	29,357,948
March, 2004	29.72	27.60	39,732,275
February, 2004	27.83	26.47	27,926,798
January, 2004	28.43	26.45	22,784,477

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, 2004	53.85	52.15	28,039	54.00	52.30	41,433
November, 2004	53.25	51.00	39,867	53.35	50.76	40,254
October, 2004	51.85	49.51	48,266	52.00	50.37	50,807
September, 2004	51.40	49.80	59,303	51.50	50.25	42,532
August, 2004	51.50	50.05	60,990	51.50	50.10	124,617
July, 2004	50.50	49.30	44,344	50.70	49.15	105,422
June, 2004	49.90	49.05	165,814	49.99	49.00	206,494
May, 2004	50.50	48.01	70,652	50.30	48.10	79,547
April, 2004	52.59	49.50	83,415	52.70	49.75	104,524
March, 2004	54.00	52.30	48,254	54.25	51.80	477,223
February, 2004	52.50	51.85	55,563	52.49	51.55	78,157
January, 2004	52.75	51.00	40,324	52.70	51.00	80,093

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

Month	**High (US$)**	**Low (US$)**	**Volume Traded**
December, 2004	26.05	25.40	166,400
November, 2004	26.06	25.53	158,900
October, 2004	25.93	25.48	190,000
September, 2004	25.90	25.42	201,600
August, 2004	25.87	25.40	134,500
July, 2004	25.56	25.22	156,100
June, 2004	25.70	25.06	170,200
May, 2004	25.49	24.85	207,400
April, 2004	26.00	25.24	214,800
March, 2004	26.25	25.40	246,200
February, 2004	26.25	25.61	168,100
January, 2004	26.20	25.54	158,600

In addition, the following securities of TCPL and its subsidiary, NGTL, are listed on the markets specified below, however, both issues are thinly traded and together, account for approximately $298 million or less than five per cent of TCPL's consolidated capital structure:

- TCPL's 16.50% First Mortgage Pipe Line Bonds due 2007, are listed on the London Stock Exchange; and
- NGTL's 7.875% debentures due April 1, 2023, are listed on the NYSE.

DIRECTORS AND OFFICERS

As of March 7, 2005, the directors and executive officers of TransCanada as a group beneficially owned, directly or indirectly, or exercised control or direction over, 2,601,214 common shares of TransCanada and 19,800 units of Power LP, 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. TCPL collects this information from its directors and officers but otherwise has no direct knowledge of individual holdings of its securities. Further information as to securities beneficially owned, or over which control or direction is exercised, is provided in TransCanada's Management Proxy Circular dated March 1, 2005 ("*Proxy Circular*") under the heading "Business To Be Transacted at the Meeting — Election of Directors". See also "Additional Information" in this AIF.

Directors

Set forth below are the names of the twelve directors who served on TCPL's Board at Year End, together with their jurisdictions of residence, all positions and offices held by them with TCPL and its significant affiliates, their principal occupations or employment during the past five years and the year from which each director has continually served as a director of TransCanada and TCPL and, prior to the arrangement, with TCPL. Positions and offices held with TCPL are also held by such person at TransCanada.

Name and Place of Residence	Principal Occupation During The Five Preceding Years	Director Since
Douglas D. Baldwin Calgary, Alberta Canada	Chairman, Talisman Energy Inc., (oil and gas) since May 2003. President and Chief Executive Officer, TCPL, from August 1999 to April 2001. Director, Calgary Airport Authority, Citadel Group of Funds, Resolute Energy Inc. and UTS Energy Corporation. Member, Board of Governors, University of Calgary.	1999
Wendy K. Dobson Uxbridge, Ontario Canada	Professor, Rotman School of Management and Director, Institute for International Business, University of Toronto (education). Director, MDS Inc., Toronto-Dominion Bank and Vice Chair, Canadian Public Accountability Board.	1992
The Hon. Paule Gauthier, P.C., O.C., O.Q., Q.C. Québec, Québec Canada	Senior Partner, Desjardins Ducharme Stein Monast (law firm). Director, Royal Bank of Canada, The Royal Trust Corporation of Canada, The Royal Trust Company, Rothmans Inc. and Metro Inc. Chair, Security Intelligence Review Committee. President, Fondation de la Maison Michel Sarrazin and President, Institut Québecois des Hautes Études Internationales, Laval University.	2002
Richard F. Haskayne, O.C., F.C.A. Calgary, Alberta Canada	Chairman of the Board, TransCanada and TCPL. Prior to February 19, 2003, Chairman, Fording Inc. (coal and wollastonite). Director, EnCana Corporation and Weyerhauser Company.	1998 (NOVA, 1991)[(1)]
Kerry L. Hawkins Winnipeg, Manitoba Canada	President, Cargill Limited (grain handlers, merchants, transporters, processors of agricultural products and gas marketers). Director, NOVA Chemicals Corporation, Shell Canada Limited and Hudson's Bay Company.	1996
S. Barry Jackson Calgary, Alberta Canada	Chairman, Resolute Energy Inc. (oil and gas) since 2002 and Chairman, Deer Creek Energy Limited (oil and gas) since 2001. President and Chief Executive Officer, Crestar Energy Inc. (oil and gas) from 1993 to 2000. Director, Nexen Inc.	2002

Name and Place of Residence	Principal Occupation During The Five Preceding Years	Director Since
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 Transco plc. Trustee, Putnam Mutual Funds and President, Yale University Council.	2004
Harold N. Kvisle(2) Calgary, Alberta Canada	President and Chief Executive Officer, TransCanada since May 2003 and TCPL since May 2001. Executive Vice-President, Trading and Business Development, TCPL, from June 2000 to April 2001. Senior Vice-President, Trading and Business Development, TCPL, from April 2000 to June 2000. Senior Vice-President and President, Energy Operations, TCPL, from September 1999 to April 2000. Director, PrimeWest Energy Inc. and Bank of Montreal. Past Chair, Interstate National Gas Association of America (INGAA) and Chair, Mount Royal College.	2001
David P. O'Brien(3) Calgary, Alberta Canada	Chairman, EnCana Corporation (oil and gas) since April 2002 and Chairman, Royal Bank of Canada (banking) since February 2004. Chairman and Chief Executive Officer, PanCanadian Energy Corporation (oil and gas) from October 2001 to April 2002. Chairman, President and Chief Executive Officer, Canadian Pacific Limited (transportation, energy and hotels) from May 1996 to October 2001. Director, Fairmont Hotels & Resorts Inc., Inco Limited, Molson Coors Brewing Company, Profico Energy Management Ltd. and The E & P Limited Partnership.	2001
James R. Paul Kingwood, Texas United States	Chairman, James and Associates (private investment firm). Member of the Advisory Board, AMEC plc.	1996
Harry G. Schaefer, F.C.A. Calgary, Alberta Canada	President, Schaefer & Associates (business advisory services). Vice-Chairman of the Board, TransCanada and TCPL. Chairman, Crestar Energy Inc. (oil and gas) from May 1996 to November 2000. Director, Agrium Inc. and Fording Canadian Coal Trust. Chairman, Alberta Chapter, Institute of Corporate Directors, Fellow, Institute of Corporate Directors and Director, The Mount Royal College Foundation.	1987
W. Thomas Stephens Boise, Idaho United States	Chairman and Chief Executive Officer, Boise Cascade LLC since November 2004. Director, The Putnam Funds.	1999

Notes:

(1) NOVA Corporation merged with TCPL on July 2, 1998.

(2) Mr. Kvisle will not stand for re-election as a director of Norske Skog Canada Limited at its April 27, 2005 annual meeting. Mr. Kvisle was elected to the Bank of Montreal's Board of Directors on February 22, 2005.

(3) 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.

Each director holds office until the next annual meeting or until his or her successor is earlier elected or appointed. Mr. Haskayne and Mr. Paul will be retiring from their respective positions on the Board on April 29, 2005. Mr. Jackson has been designated as the next Chair of the Board and will succeed Mr. Haskayne as Chair upon his retirement on April 29, 2005.

Election of Directors

TCPL's articles of incorporation provide for the Board to consist of a minimum of ten and a maximum of twenty directors. The number of directors presently in office is twelve. Messrs. R.F. Haskayne and J.R. Paul will retire from their respective positions on the Board effective April 29, 2005 at the Annual Meeting of the holders of common shares of TransCanada ("*Meeting*") and Mr. Benson has been selected as a new nominee for election. Mr. Jackson has been designated as the next Chairman of the Board and will succeed Mr. Haskayne as Chairman upon his retirement on April 29, 2005.

The Board has set the number of directors to be elected at the Meeting at eleven. To summarize, the nominees for election as directors of TCPL at the Meeting are:

D.D. Baldwin	P.L. Joskow
K.E. Benson	H.N. Kvisle
W.K. Dobson	D.P. O'Brien
P. Gauthier	H.G. Schaefer
K.L. Hawkins	W.T. Stephens
S.B. Jac	

The Governance Committee of the Board annually reviews the qualifications of persons proposed for election to the Board and submits its recommendations to the Board for consideration. The persons proposed for nomination are, in the opinion of the Board, well qualified to act as directors for the ensuing year. Each nominee, with the exception of Mr. Kvisle, has been determined by the Board to be unrelated and independent within the meaning of Canadian and applicable U.S. securities law, regulation and policy, and has established his or her eligibility and willingness to serve as a director if elected. Each director elected will hold office until the next annual meeting or until his or her successor is earlier elected or appointed. The proposed nominees will also be the directors of TransCanada.

The following table sets forth, for the new nominee for election as director, that being Mr. Benson who has been determined to be unrelated and independent of TCPL, his jurisdiction of residence and principal occupation or employment during the past five years.

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 and a director of Laidlaw International, Inc. (transportation) since June 2003 and Laidlaw, Inc. (transportation) from September 2002 to June 2003. President and Chief Executive Officer, The Insurance Corporation of British Columbia, from December 2001 until September 2002. President, The Pattison Group, from April 2000 to February 2001. President and Chief Executive Officer, Canadian Airlines International Ltd., from July 1996 to February 2000.	2005

Notes:

(1) Mr. Benson resigned as President and Chief Executive Officer from Canadian Airlines International Ltd. effective February 29, 2000. Canadian Airlines initiated proceedings under the *Companies' Creditors Arrangement Act* and applicable bankruptcy protection statutes in the U.S. on March 24, 2000.

Officers

All of the executive officers and corporate officers of TCPL reside in Calgary, Alberta, Canada. References to positions and offices with TransCanada prior to May 15, 2003 are references to the positions and offices held with TCPL. Current positions and offices held with TCPL are also held by such person at TransCanada. As of the date hereof, the officers of TCPL, their present positions within TCPL 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	Executive Vice-President, Trading and Business Development, June 2000 to April 2001. Senior Vice-President, Trading and Business Development, April 2000 to June 2000. Senior Vice-President and President, Energy Operations, September 1999 to April 2000.
Albrecht W.A. Bellstedt, Q.C.(1)	Executive Vice-President, Law and General Counsel	Senior Vice-President, Law and General Counsel, April 2000 to June 2000. Senior Vice-President, Law and Administration, September 1999 to April 2000.
Russell K. Girling	Executive Vice-President, Corporate Development and Chief Financial Officer	Executive Vice-President and Chief Financial Officer, June 2000 to March 2003. Senior Vice-President and Chief Financial Officer, August 1999 to June 2000.
Dennis J. McConaghy	Executive Vice-President, Gas Development	Senior Vice-President, Business Development, October 2000 to May 2001. Senior Vice-President, Midstream/Divestments, June 2000 to October 2000. Prior to June 2000 Vice-President, Corporate Strategy and Planning.
Alexander J. Pourbaix	Executive Vice-President, Power	Executive Vice-President, Power Development, May 2001 to March 2003. Senior Vice-President, Power Ventures, June 2000 to May 2001. Prior to June 2000, Vice-President, Corporate Development, Power Services.
Sarah E. Raiss	Executive Vice-President, Corporate Services	Executive Vice-President, Human Resources and Public Sector Relations, June 2000 to January 2002. Senior Vice-President, Human Resources and Public Sector Relations, February 2000 to June 2000.

Name	Present Position Held	Principal Occupation During the Five Preceding Years
Ronald J. Turner	Executive Vice-President, Gas Transmission	Executive Vice-President, Operations and Engineering, December 2000 to March 2003. Executive Vice-President, International, June 2000 to December 2000. Prior to June 2000, Senior Vice-President, International.
Donald M. Wishart	Executive Vice-President, Operations and Engineering	Senior Vice-President, Field Operations, June 2000 to March 2003. August 1999 to June 2000, Senior Vice-President, Operations, Transmission Division.

Note:

(1) Mr. Bellstedt, who served as a trustee of Atlas Cold Storage Income Trust, was subject to an Ontario Securities Commission cease trade order issued in respect of all insiders of Atlas Cold Storage Income Trust on December 2, 2003 and arose because of late filed financial statements required to reflect certain re-statements. The cease trade order was rescinded in January 2004.

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.
Rhondda E.S. Grant	Vice-President, Communications and Corporate Secretary	Prior to February 2005, Vice-President and Corporate Secretary.
Lee G. Hobbs	Vice-President and Controller	Prior to August, 2001, Director, Accounting.
Garry E. Lamb	Vice-President, Risk Management	Vice-President, Audit and Risk Management, June 2000 to October 2001. Vice-President, Risk Management, February 2000 to June 2000.
Donald R. Marchand	Vice-President, Finance and Treasurer	Vice-President, Finance and Treasurer

CORPORATE GOVERNANCE

The Board and members of TCPL's management are committed to the highest standards of corporate governance. TCPL is subject to a variety of corporate governance guidelines and requirements enacted by the TSX, the Canadian Securities Administrators ("*CSA*"), the NYSE, and by the U.S. Securities and Exchange Commission ("*SEC*") under its rules and those mandated by the U.S. *Sarbanes-Oxley Act* of 2002 ("*SOX*"). TCPL's corporate governance practices comply with the TSX Company Manual Corporate Governance Guidelines, governance rules of the NYSE applicable to foreign issuers and applicable requirements of the CSA and SEC. As a non-U.S. company, TCPL is not required to comply with most of the NYSE corporate governance listing standards applicable to U.S. domestic issuers. TCPL discloses the significant ways in which its corporate governance practices differ from those followed by domestic companies listed on the NYSE, on its website at www.transcanada.com. TCPL is in compliance with the CSA's Multilateral Instrument 52-110 pertaining to audit committees, as proposed to be amended. TCPL is also in substantial compliance with the proposed corporate governance guidelines and proposed disclosure of corporate governance practice rules, both released for comment by the CSA on October 29, 2004. Full disclosure of TCPL's corporate governance practices are set out in TransCanada's Proxy Circular. TCPL's corporate governance documents, are available on TCPL's website located at: http://www.transcanada.com/company/board_committees.html.

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 are Harry G. Schaefer (Chair), Douglas D. Baldwin, Paule Gauthier, S. Barry Jackson and Paul L. Joskow.

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 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 some of those boards. Mr. Schaefer has also held several executive positions with public companies.

Mr. Baldwin earned a Bachelor of Science in Chemical Engineering from the University of Saskatchewan. He has served on the boards of several public companies and other organizations and on the Audit Committees of some of those boards. Mr. Baldwin has also held several executive positions with public companies, including the position of President and Chief Executive Officer of both Esso Resources Canada Limited and TCPL.

Ms. 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 some of those boards.

Mr. Jackson earned a Bachelor of Science in Engineering from the University of Calgary. He has served on the boards of several public companies and on the Audit Committees of some of those boards. Mr. Jackson has also held several executive positions with public companies, including the position of President and Chief Executive Officer of Crestar Energy Inc.

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 has served on the boards of several public companies and other organizations and on the Audit Committees of some of those.

The Charter of the Audit Committee can be found in Schedule "B" of this AIF and on TCPL'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 of $25,000 or less that are within the annual pre-approved limit for non-audit services. For engagements of $25,000 or less which are not within the annual pre-approved limit, 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 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 KPMG LLP ("*External Auditor*") for TCPL in each of 2004 and 2003 fiscal years, are shown in the table below:

Fee Category	2004	2003	Description of Fee Category
	(millions of dollars)		
Audit Fees	2.50	1.80	Aggregate fees for audit services rendered by TCPL's External Auditor.
Audit Related Fees	0.06	0.05	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 TCPL'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 various pension plans.
Tax Fees	0.06	0.06	Aggregate fees rendered by TCPL's External Auditor for tax compliance and tax advice. The nature of these services consisted of: tax compliance including the review of original and amended tax returns; assistance with questions regarding tax audits; assistance in completing routine tax schedules and calculations; and tax services relating to common forms of domestic and international taxation (i.e.: income tax, capital tax, Goods and Services Tax and Value Added Tax).
All Other Fees	0.05	0.05	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 activites with respect to TCPL's compliance with SOX and particularly, with section 404.
Total	2.67	1.96	

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. The members of each of these committees as of Year End are identified below:

Governance Committee

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

Health, Safety & Environment Committee

Chair:	D.D. Baldwin
Members:	P. Gauthier
	K.L. Hawkins
	J.R. Paul
	W.T. Stephens

Human Resources Committee

Chair:	K.L. Hawkins
Members:	W.K. Dobson
	S.B. Jackson
	D.P. O'Brien
	W.T. Stephens

The charters of the Governance Committee, the Health, Safety & Environment Committee and the Human Resources Committee were filed with TCPL's 2003 Annual Information Form dated February 24, 2004 and can be found on TCPL'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 the Proxy Circular under the heading "Corporate Governance" or on TCPL's website located at: http://www.transcanada.com/company/board_committees.html.

Conflicts of Interest

The Board and members of TCPL's management are not aware of any existing or potential material conflicts of interest between TCPL or a subsidiary and any director or officer of TCPL or its subsidiary. 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*. If a director or officer has such a conflict, TCPL requires that the director or officer absent themselves from any discussion or voting relating to the matter giving rise to the material existing or potential conflict.

INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

Since the beginning of the most recently completed financial year, no director or executive officer of TCPL, no proposed nominee for election as a director of TCPL, or any associate of any such director, executive officer or proposed nominee has been indebted to TCPL. 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 TCPL 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 directors or proposed director, as of March 1, 2005.

Director or Proposed Director	Securities Owned, Controlled or Directed(1)(2)	Deferred Share Units(3)
D. Baldwin	217,813 (4)	11,428
K. Benson	0	0
W. Dobson	4,000 (5)	21,765
P. Gauthier	1,000	12,401
K. Hawkins	3,832 (6)	23,144
S.B. Jackson	29,000 (7)	6,192
P. Joskow	5,000	3,959
H. Kvisle	557,881 (8)	0
D. O'Brien	10,000	12,401
H. Schaefer	28,916 (9)	13,052
W.T. Stephens	2,000	24,721

Notes:

(1) The information as to shares beneficially owned or over which control or direction is exercised, not being within the knowledge of TCPL, 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 TCPL as a group does not exceed 1% of the class outstanding.

(2) Securities owned, controlled or directed include common shares that certain of the directors have a right to acquire through the exercise of stock options that are vested under the Stock Option Plan, which plan is described elsewhere in this AIF. Directors as such do not participate in the Stock Option Plan. Mr. Kvisle, as an employee of TCPL, has the right to acquire 516,667 common shares of TransCanada under vested stock options, which amount is included in this column. Mr. Baldwin, while occupying the position of interim President and Chief Executive Officer of TCPL, was granted options entitling him to acquire 200,000 common shares of TransCanada under vested stock options, which amount is included in this column.

(3) 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 right, other than 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 in cash or shares while U.S. directors can only redeem for cash.

(4) The shares listed also include 100 Cumulative Redeemable First Preferred Shares Series U and 500 Cumulative Redeemable First Preferred Shares, Series Y of TCPL, and 2,000 units of TransCanada Power, L.P.

(5) The shares listed include 1,000 units of TransCanada Power, L.P.

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

(7) The shares listed include 5,000 units of TransCanada Power, L.P. and 8,000 common shares held by Mr. Jackson's wife.

(8) Mr. Kvisle, as an employee of TCPL, participates in the Employee Stock Savings Plan which is described elsewhere in this AIF; his holdings in this plan and 1,000 units of TransCanada Power, L.P. are included in this column.

(9) The shares listed 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 such shares.

COMPENSATION OF DIRECTORS

TCPL's directors also serve as directors of TransCanada. An aggregate fee is paid for serving on the Boards of TCPL and TransCanada. Since TransCanada does not hold any assets directly other than the common shares of TCPL, 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 TCPL and TransCanada 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, TCPL requires each director to acquire and hold a minimum number of common shares or their economic equivalent 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 into, or otherwise acquiring units under, the Share Unit Plan for Non-Employee Directors (1998) (the "*DSU Plan*"), described elsewhere in this AIF.

All current directors have achieved the minimum share ownership. There is share ownership at risk for each director. The value of the retainer fee paid in DSUs may decrease over time if the value of a common share falls below its value at the time the DSU was credited to the director's account.

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 common shares. The market competitiveness of director compensation is assessed against the Comparator Group (as defined in the Report on Executive Compensation below) and a general industry sample of Canadian companies of similar size and scope to TCPL.

For the financial year ended December 31, 2004, each director who was not an employee of TCPL, other than the Chair, was paid in quarterly instalments in arrears as follows:

Retainer fee[1]	$27,000 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

Note:

(1) For 2005 the retainer fee has been raised to $30,000 per annum.

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. 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 paid a per diem fee for time spent on meetings outside of the committee meetings. Additionally, directors other than the Chair and the President and Chief Executive Officer 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". 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.

Cash Fees Paid to Directors in 2004[1]

The total fees paid to the directors in 2004 was $1,064,840. The following table sets out, for each non-employee director, the total fees paid. See the heading "Share Unit Plan for Non-Employee Directors" below for DSUs granted as additional directors' compensation.

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 to be paid in DSUs. All directors hold the minimum number of common shares or DSUs. In 2004, Paule Gauthier, Kerry Hawkins and David O'Brien received their retainer fees in DSUs. In a year that a director chooses to receive the retainer fee in DSUs, 100% of the retainer fee must be credited as DSUs. The retainer fee in 2004 was $27,000.

Name	Retainer Fee	Committee Retainer Fee	Committee Chair Retainer Fee	Board Attendance Fee	Committee Attendance Fee	Travel Fee	Total Fees Paid
Douglas Baldwin[2]	$ 27,000	$6,000	$ 4,000	$13,500	$15,000	$1,500	$ 67,000
Wendy Dobson[2]	27,000	6,000	4,000	13,500	13,500	9,000	73,000
Paule Gauthier	27,000	6,000	N/A	16,500	13,500	7,500	70,500
Richard Haskayne[3]	336,000	N/A	N/A	N/A	N/A	1,500	337,500
Kerry Hawkins[2]	27,000	6,000	4,000	15,000	21,000	9,000	82,000
Barry Jackson	27,000	6,000	N/A	16,500	16,500	1,500	67,500
Paul L. Joskow[4]	20,250	4,500	N/A	7,500	6,000	4,500	42,750
David O'Brien	27,000	6,000	N/A	13,500	9,000	N/A	55,500
James Paul[4]	27,000	6,000	N/A	15,000	9,000	9,000	66,000
Harry Schaefer[2][5]	39,000	6,000	20,090	16,500	21,000	1,500	104,090
W. Thomas Stephens[4]	27,000	6,000	N/A	15,000	9,000	7,500	64,500
Joseph Thompson	13,500	3,000	N/A	6,000	7,500	4,500	34,500

Notes:

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

(2) 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.

(3) The Retainer Fee amount includes the fee of $3,000 in respect of each Board meeting chaired.

(4) U.S. directors are paid these dollar amounts in U.S. dollars.

(5) The 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 amended and restated in October 2000. The DSU Plan allows 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. The DSU Plan also allows the Governance Committee to grant units as additional directors' compensation. In September 2004, a grant of 3,000 DSUs was made to each director other than the Chair and the President and Chief Executive Officer.

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 2004 had an initial cash value of approximately $83,940. 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 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 shares at their option. U.S. directors may only redeem for cash.

EXECUTIVE COMPENSATION AND OTHER INFORMATION

The following is the Human Resources Committee (the "*HR Committee*") report on executive compensation, which covers all executives whose compensation is reviewed by the HR Committee, including the executives referred to as the Named Executive Officers in the section entitled "Executive Compensation Information" below.

The HR Committee is composed of five directors, K.L. Hawkins (Chair), W.K. Dobson, S.B. Jackson, D.P. O'Brien and W.T. Stephens, all of whom are unrelated and independent as required by securities regulations. None of these individuals have ever been an officer or employee of TransCanada or any of its subsidiaries. None of TransCanada's current executive officers have served as a member of the compensation committee or as a director of any other entity in respect of which any of the members of the HR Committee or any of the other directors of TransCanada is an executive officer. S.B. Jackson joined the HR Committee in 2004 as a replacement for J.D. Thompson who retired from the Board in April 2004. The HR Committee reports to the Board on all material matters considered, recommended or approved by the HR Committee.

Independent Advice

The HR Committee engages its own consultants and legal advisors, independent of those used by management, to gather information and deliver opinions and advice on various subjects including the compensation practices of TCPL versus the market, securities law and governance practices.

Executive Compensation Structure and Policies

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 reflects business achievement, fulfillment of individual objectives and overall job performance. The HR Committee approves all remuneration to be awarded through the executive compensation program. TCPL will continue to monitor market conditions and adapt its executive compensation program to ensure it remains competitive and aligned with TCPL's compensation philosophy.

Determining Individual Executive Compensation

Market Competitiveness

When determining the level of individual executive compensation, the HR Committee considers market compensation data provided by external compensation consultants. This data consists of summary compensation information from selected Canadian-based companies. These companies are generally head offices or subsidiary offices of similar size and scope to TCPL, and represent the market where TCPL may compete for talent (the "*Comparator Group*").

The membership of the Comparator Group is reviewed annually by the HR Committee for its business relevance to TCPL. An overview of the characteristics of the 2004 Comparator Group, as compared to TCPL, is provided in the following table:

Characteristics	TCPL	2004 Comparator Group	
Industry	North American Pipelines, Power	Canadian Oil and Gas, Pipelines, Power, Utilities	
Location	Calgary	Principally Alberta	
		Median	75th Percentile
Revenue(1)	$5.4 billion	$4.7 billion	$6.3 billion
Market Capitalization(2)	$12.9 billion	$12.2 billion	$17.8 billion
Assets(1)	$20.5 billion	$10.2 billion	$12.7 billion
Employees(3)	Approximately 2,500	2,367	3,982

Notes:

(1) Revenue and Assets statistics reflect 2003 information.

(2) Market Capitalization is calculated as at July 31, 2004.

(3) Number of employees is reported as of April 1, 2004.

Pay for Performance

The HR Committee considers actual performance and results achieved against annual business and individual performance objectives. The compensation an executive receives will vary in accordance with the following guidelines:

- If actual performance meets objectives and is considered satisfactory, an executive's TDC is designed to be comparable to the median of the data from the Comparator Group;
- If actual performance exceeds those objectives and is considered to be above satisfactory, an executive's TDC is designed to be competitive with above-median compensation levels of the market data for his or her role. The degree to which an executive is compensated over the median is relative to his or her performance level; or
- If actual performance falls short of objectives and is considered to be below satisfactory, variable incentive awards in a given year may be positioned below market median levels, but fixed elements are held and not adjusted downward.

Pay Component Mix

The pay component mix of TDC is structured to place a significant portion of the executive's compensation at risk. Disclosure of the actual pay component mix for the Named Executive Officers is noted in the table below.

Elements of Executive Compensation for 2004

In 2004, the executive compensation program consisted of four direct compensation elements; base salary, short-term annual cash incentives, share units issued under the mid-term incentive plan and stock options issued as long-term incentives. The following table provides an overview of these elements:

Component of TDC	Type of Compensation	Average Mix(1) for NEOs(2)	Element	Form	Performance Period	Determination of Market Competitive Award
Fixed	Annual	30% of TDC	Base Salary	Cash	1 year	Match to similar roles in the Comparator Group plus individual performance sustained over a number of years
Variable	Annual	28% of TDC	Short-term Incentive	Cash	1 year	Degree to which each executive's achievement against pre-established annual objectives contributed to annual corporate performance
	Longer-term	33% of TDC	Mid-term Incentive	Executive Share Units	Up to 3 years with vesting at end of period	Degree to which each executive's contribution and potential will be key to the success of TransCanada
		9% of TDC	Long-term Incentive	Stock Options	Vesting 33⅓% each year for 3 years with a 7 year term	Degree to which each executive's contribution and potential will be key to the success of TransCanada

Notes:

(1) Mix is the relative emphasis placed on each pay element and is expressed as an average percentage of TDC for the five NEOs. The relative emphasis on specific forms of variable compensation for individual executives is aligned with the executive's ability to contribute to short, medium and long-term business achievement based on the HR Committee's assessment.

(2) Named Executive Officers.

Overview of Executive Compensation Elements

Fixed Compensation — Base Salary

Base salary 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. Although reviewed annually, base salaries are not significantly adjusted upward year-over-year beyond what is required to maintain appropriate market positioning based on individual contribution and performance or to reflect a material change in an executive's responsibility.

Variable Compensation

The Board has specifically moved away from formulaically driven variable/incentive compensation programs to programs based on sound judgement and discretion at the HR Committee and Board levels. The Board is of the view that formulas and weightings applied to forward-looking objectives may lead to unintended consequences for compensation purposes. This is often due to unforeseen events that are outside the scope of the compensation program. For this reason, there are no pre-established weightings applied to measures or numerical calculations used to determine payments for executives from TCPL's performance-based variable compensation programs. The Board's comprehensive assessment of overall business performance of TCPL, including company performance achievement against stated objectives and business circumstances, provides the context for individual executive evaluations for short-term incentives, as well as the vesting of the medium-term incentive awards.

Short-term Incentives

Short-term incentives are awarded through the annual Incentive Compensation ("*IC*") program. The IC program provides for annual cash payments based on individual performance measured against pre-established annual business and individual objectives, within the context of overall corporate performance. The awards are provided under the following guidelines:

If actual performance is viewed as...		*Then...*
Below satisfactory	➧	payments are below median market incentive levels
Satisfactory	➧	payments align with median market incentive levels
Above satisfactory	➧	payments may be in excess of the median market incentive levels

Annual corporate performance provides the baseline from which individual assessments are made. In years where corporate performance meets or exceeds objectives, the foundation for award considerations will generally be, on aggregate, above median market incentive levels. Conversely, if corporate performance is less than satisfactory, award considerations for executives will be tempered accordingly.

The actual incentive awards for each executive are based on the HR Committee's subjective and discretionary assessment of the executive's proportional contribution to the corporate results based on his or her achievement against individual objectives. Payments from the IC program are made in the first quarter following the completion of the financial year.

For 2004, TransCanada's stated objectives focused on the diligent and disciplined implementation of TransCanada's key strategies for growth and value creation. Examples of some of the measures used to assess performance in these areas are as follows:

Financial strength	• Earnings per share • Funds generated from operations • Earnings before interest, taxes, depreciation and amortization • The ability to be well prepared for the right transactions
Regulatory framework	• Progress on work with regulators and customers to evolve the regulated business model
Grow and optimize core operations (Pipe and Power)	• Total shareholder return rolling average • Invested capital • Earnings growth after three years of the capital being invested
Operational Excellence	• Safety • Costs • Employee engagement • Environment • Asset performance • Customer relationships

To assess the results achieved against these objectives, the Board looks at both absolute performance and relative performance against specific comparators. The company is of the view that both relative and absolute measures are required to give a balanced perspective of achievement.

In 2004, performance against these objectives delivered above satisfactory results in the areas of financial strength and growth, and significant progress on other objectives. The Board has therefore assessed that TransCanada met or exceeded the vast majority of stated performance objectives for 2004. On average, this achievement has resulted in above-median payments to executives under the IC program. The extent to which an individual executive's payment is above median is related to his or her contribution to these business results as assessed by his or her own performance against specified objectives. The actual IC program payments awarded to the Named Executive Officers is noted in the "Summary Compensation Table" below.

Medium-term Incentives

Medium-term incentives are awarded through the Executive Share Unit Plan (the "*ESU Plan*"). The purpose of this plan is to align a considerable portion of executives' compensation with longer-term performance objectives that support the interests of shareholders and customers. This plan has been in effect since 2003 and TCPL has made three grants under it. The awarding of annual grants and number of units granted to executives is based on delivering competitive TDC and is not dependent on the number, term or current value of other outstanding incentive awards previously granted to the individual.

Under the ESU Plan, participants receive a provisional grant of units that are valued based on the price of TransCanada's common shares at the time of grant. Grants are subject to specific business performance conditions set by the HR Committee at the time of grant. Throughout the three year term of the grant, participant's accounts are credited with additional units for dividends declared and paid.

At the end of the term, actual achievement will be compared with the performance objectives and participant unit totals will be adjusted based on this assessment. The resulting vested units will then be valued based on the price of TransCanada's common shares at the time of vesting and participants will receive a cash payment for their vested units.

In 2004, participants received a grant of units that were valued based on the closing price of TransCanada's common shares on the TSX on the date of grant. The HR Committee established specific objectives for Threshold and Target performance levels, the achievement of which will adjust payouts 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 or Above Target =	100% of units vest for payment

The performance criteria for the 2004 grant consisted of a combination 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 continuing operations.

There are no pre-established weightings applied to these measures or numerical calculations used. The HR Committee will use its judgement and discretion to assess overall performance in light of the stated criteria and business circumstances surrounding the performance achievement.

If the actual performance achievement is determined by the HR Committee to align at a point between Threshold and Target levels, the HR Committee will determine the number of units that vest on a *pro rata* basis. The amount paid to the participants will be based on the number of vested units and the weighted average closing price on the TSX during the five trading days immediately prior to and including the valuation date.

For the purposes of executive compensation disclosure, the ESU Plan is reported as a long term incentive plan in this AIF.

Long-term Incentives

Long-term incentives are awarded to executives through the Stock Option Plan. This plan aligns executives' interests with the longer-term growth and profitability of TransCanada, ultimately enhancing shareholder value. Executives who participate benefit only if the market value of TransCanada's common shares at the time of option exercise is greater than the market value of such shares at the time of grant. The awarding of annual grants and number of options granted to executives is based on delivering competitive TDC and is not dependent on the number, term or current value of other outstanding incentive awards previously granted to the individual.

The exercise price of an option is based on the price of a TransCanada common share as of the date of grant. The price is set as the higher of the closing price on the grant date or the weighted average closing price on the TSX during the five trading days immediately prior to the grant date. Options granted in 2004 vest 33⅓% on each anniversary of the grant date for a period of three years. Vested options from this grant may be exercised until their expiry, which is seven years from the grant date.

Share Ownership Guidelines

The HR Committee is of the opinion that senior executives should hold an interest in TransCanada in order to align their financial interests with those of shareholders. In January 2003, certain senior officers of the company were given guidelines to achieve an interest level that the HR Committee viewed as significant in relation to each senior executive's base salary. The specified executives have five years (until December 31, 2007) to meet the following guidelines:

President and Chief Executive Officer	3 times base salary
Executive Vice-Presidents	2 times base salary
Other Specified Senior Executives	1 times base salary

In calculating their interest in TransCanada, these executives may include the value of shares owned and any outstanding units granted under the ESU Plan. As of December 31, 2004, all Named Executive Officers have met or exceeded these guidelines.

Changes to the Executive Compensation Program

ESU Plan

As a continuous improvement initiative, a review of the ESU Plan design was undertaken in 2004 to further enhance its alignment to TCPL's compensation principles. As a result of this review, fundamental changes have been approved by the HR Committee for implementation starting with the 2005 grant.

The design changes are intended to provide more transparent and intuitive plan mechanics for participants while maintaining the delivery of competitive compensation. The key design changes included the expansion of the performance levels from two to three and the recalibration of performance requirements in light of the new structure.

	Below Threshold	Threshold	Target	Maximum
Previous Design	Zero payout	Requires stretch but achievable performance 50% of granted units payout	Very difficult stretch performance requirements At Target = 100% granted units payout	N/A
New Design	Zero payout	Requires acceptable and achievable performance 50% of granted units payout	Requires stretch but achievable performance At Target = 100% granted units payout	Very difficult stretch performance requirements At Maximum = 150% granted units payout

With the previous 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 higher nominal values in recognition of this significant risk. As a result of the design review, it was concluded that the previous structure of the ESU Plan failed to provide adequate performance motivation for participants. The new design provides for greater recognition of both satisfactory and excellent performance and does not require higher nominal value to deliver the same intended level of competitive compensation over the longer term.

Starting with the 2005 grant, the share price used to value the units at the time of grant will reflect 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. Previously, the share price used to value the units was the closing price on the TSX on the grant date. The change was made to align the grant valuation process with the payout valuation process.

For every annual grant under the ESU Plan, the HR Committee reviews and approves specific business performance conditions. For the 2005 grant, the performance requirements will be based on the same measures as those used for the 2004 grant (i.e., absolute and relative TSR plus corporate financial measures).

Stock Option Plan

As a result of the introduction of the ESU Plan, the administrative changes noted below were made to the use of the Stock Option Plan in 2003. The implementation of these administrative changes did not require a Plan amendment.

	1995 to 2002 Grants	2003 Grants Onward
Vesting	25% on the grant date 25% each year for the next three years	0% on the grant date 33⅓% each year for the next three years
Exercise Expiry	Ten years from grant	Seven years from grant
Other awards made at the time of grant	Units from Performance Unit Plan One unit for each Stock Option granted	Units from ESU Plan Number of units granted is not related to the number of Stock Options granted

Starting in 2005, only executive-level employees participate in the Stock Option Plan.

Performance Unit Plan

The Performance Unit Plan ("*PUP*") was established in 1995 and includes participants in the executive and management employee groups. In July 2002, the HR Committee amended the plan so that no further awards would be made under the PUP, but accruals on existing awards will continue until expiry of the last grants, in 2012.

Until 2003, one PUP unit was granted in tandem with each option granted under the Stock Option Plan. Each unit is eligible for an annual cash accrual that is no greater than the 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 that of other specified Canadian companies with which TransCanada competes for capital (the "*PUP Peer Group*"). The HR Committee has full discretion to award the full or a lesser value if TransCanada's absolute TSR is below that of the PUP Peer Group. For 2004, the HR Committee approved a cash accrual of $1.14 per PUP unit.

The accrued dollar value vests three years after the grant date and is deemed to be automatically redeemed on the tenth anniversary of the grant date. A performance unit may be exercised for the dollar value accrued on the unit beginning on the third anniversary of the grant date.

At the time of exercise the market price of a common share plus the amount accrued on the unit must be equal to or greater than the market price of a common share on the grant date of the unit. Additionally, the option awarded in tandem with the unit must have been previously or concurrently exercised. However, if the underlying option is exercised before the PUP unit is vested, the PUP unit is forfeited.

Compensation of the Chief Executive Officer

The components of TDC for the Chief Executive Officer ("*CEO*") are the same as those for other executive officers of TCPL, namely base salary, short-term incentive (from the IC program), medium-term incentive (from the ESU Plan) and long-term incentive (from the Stock Option Plan). Annually, the HR Committee makes recommendations to the Board regarding the CEO's compensation based on the same market-based, performance-related basis as for other executive officers. As with other executive officers, there are no pre-established weightings applied to the CEO's personal performance objectives or numerical calculations performed to determine his variable compensation payments.

Overview of Performance

Mr. Kvisle is accountable for ensuring the stated corporate performance objectives are achieved and this forms the first of his personal objectives. As previously noted, the Board has reviewed TransCanada's financial and non-financial results, and assessed them as meeting or exceeding the vast majority of those objectives for 2004.

In addition to ensuring the stated corporate objectives are achieved, Mr. Kvisle's 2004 individual objectives focused on delivering value-added support for key initiatives in the organization such as:

- Northern development and key acquisitions;
- Ensuring key management bench strength;
- Building winning long-term relationships with key stakeholders;
- Reinforcing operational excellence throughout the organization;
- Ensuring a high level of ethical behaviour and good governance throughout the organization; and
- Personal growth.

The HR Committee assessed Mr. Kvisle's results and concluded that his performance exceeded expectations against individual objectives and made this recommendation to the Board.

The Board is of the view that Mr. Kvisle's overall contribution to TransCanada's achievements and his performance against individual objectives in 2004 exceeded expectations, resulting in his TDC being positioned slightly below the top quartile TDC for similar roles in the Comparator Group. In its decision, the Board considered the achievement of the company and individual objectives (both financial and non financial) as well as significant economic, industrial and market circumstances that influenced the performance of TransCanada.

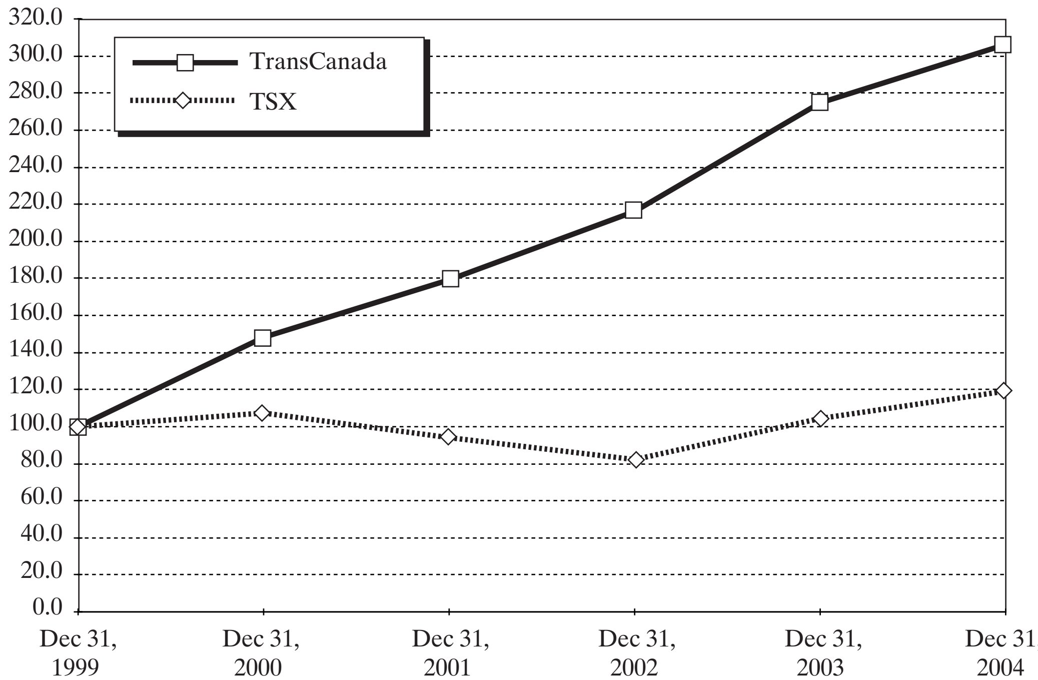
Information on the incentive award decisions for Mr. Kvisle and the other Named Executive Officers made by the Committee and the Board in February 2005 can be found in the section entitled "Supplemental Disclosure of Compensation".

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

H.L. Hawkins (Chair)
W.K. Dobson
S.B. Jackson
D.P. O'Brien
W.T. Stephens

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 on December 31, 1999 in common shares).



	Dec 31, 1999	Dec 31, 2000	Dec 31, 2001	Dec 31, 2002	Dec 31, 2003	Dec 31, 2004	Compound Annual Growth
TransCanada	100	148.1	179.4	216.2	274.6	306.0	25.1%
TSX	100	107.4	93.9	82.2	104.2	119.3	3.6%

Compensation of Executive Officers of TCPL

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

Executive Compensation Information

Summary Compensation Table

The following table outlines the summary of compensation earned in the 2004, 2003 and 2002 financial years by the President and Chief Executive Officer, the Chief Financial Officer and the three other most highly compensated executive officers. Executive officers are included as NEO's based on base salary and annual incentive bonuses earned during the most recently completed financial year.

		Annual Compensation			Long-term Compensation			
Name and Principal Position of the Named Executive Officers (a)	Year (b)	Salary(1) ($) (c)	Bonus(2) ($) (d)	Other Annual Compensation(3) ($) (e)	Award of Securities Under Options Granted(4) (#) (f)	Award of Shares or Units Subject to Resale Restriction ($) (g)	LTIP Payouts(5) ($) (h)	All Other Compensation(6) ($) (i)
H.N. Kvisle	2004	871,251	1,100,000	46,700	165,000	0	0	0
President and	2003	772,503	900,000	69,108	200,000	0	0	0
Chief Executive Officer	2002	726,252	1,000,000	93,230	150,000	0	0	0
R.K. Girling	2004	457,524	460,000	42,680	60,000	0	0	0
Executive Vice-President,	2003	443,751	430,000	39,611	80,000	0	0	0
Corporate Development and Chief Financial Officer	2002	420,003	480,000	26,904	65,000	0	0	6,575
A.J. Pourbaix	2004	407,505	450,000	61,462	60,000	0	0	0
Executive Vice-President, Power	2003	382,506	430,000	51,638	80,000	0	0	0
	2002	322,500	480,000	14,790	65,000	0	0	6,575
R.J. Turner	2004	450,000	340,000	58,714	40,000	0	0	0
Executive Vice-President,	2003	447,501	300,000	64,233	60,000	0	0	0
Gas Transmission	2002	436,254	340,000	41,420	50,000	0	0	0
D.J. McConaghy	2004	355,002	330,000	40,024	60,000	0	0	0
Executive Vice-President,	2003	337,506	400,000	43,595	60,000	0	0	0
Gas Development	2002	322,500	310,000	56,043	45,000	0	0	0

Notes:

(1) Base salary is earned income during the financial year and reflects any changes in base pay rates that occurred during that time period. Any approved change to the base pay rate is effective April 1st of the financial year.

(2) Amounts referred to in this table as "Bonus" are paid pursuant to TCPL's Incentive Compensation program. See "Report on Executive Compensation — Short-term Incentives".

(3) The amounts in this column include the value of salary paid in lieu of vacation. This column also includes amounts paid to the Named Executive Officers by way of flex benefit credits applied to the Employee Stock Savings Plan and payments made to the Named Executive Officers by subsidiaries and affiliates of TCPL (including directors' fees paid by affiliates and amounts paid for serving on management committees of partnerships in which TCPL holds an interest) specifically, Mr. Girling — $21,000 and Mr. Pourbaix — $39,000 (directors' fees paid by an affiliate). The value of perquisites for each Named Executive Officer is less than the lesser of $50,000 and 10% of the Named Executive Officer's total annual salary and bonus and, as such, is not included in the amounts shown in this column.

(4) This column shows the number of stock options awarded under the Stock Option Plan to each of the Named Executive Officers for each of the financial years noted. A similar number of performance units were granted in tandem in 2002 under the PUP, described in the section titled "Changes to the Executive Compensation Program — Performance Unit Plan".

(5) LTIP Payouts will represent the settlements for the vested and paid ESU Plan and PUP grants. There have been no payouts made to the Named Executive Officers from either plan to date. Please refer to the sections titled "Long-term Incentive Plan Awards", "Supplemental Disclosure of Compensation" and "Long-term Incentive Plan Grants Outstanding" for all past and present grant information pertaining to these plans.

(6) For 2002, the amounts in this column include amounts contributed by TCPL for the Named Executive Officers under the Defined Contribution Pension Plan. See the section titled, "Pension and Retirement Benefits" below.

Long-term Incentive Plan Awards

2004 Executive Share Unit Plan Grants

The following table outlines the medium-term incentive grants made to the Named Executive Officers under the ESU Plan for the financial year ending December 31, 2004:

Name (a)	Securities, Units or Other Rights[(1)] (#) (b)	Performance or Other Period Until Maturation or Payout (c)	Estimated Future Payouts Under Non-Securities-Price-Based Plans (units)[(2)] Below Threshold (#) (d)	Threshold (#) (e)	Target (#) (f)	Maximum (#) (g)
H.N. Kvisle	0 - 73,185	01-Jan-04 through 31-Dec-06	0	36,593	73,185	73,185
R.K. Girling	0 - 29,275	01-Jan-04 through 31-Dec-06	0	14,638	29,275	29,275
A.J. Pourbaix	0 - 26,140	01-Jan-04 through 31-Dec-06	0	13,070	26,140	26,140
R.J. Turner	0 - 21,540	01-Jan-04 through 31-Dec-06	0	10,770	21,540	21,540
D.J. McConaghy	0 - 23,005	01-Jan-04 through 31-Dec-06	0	11,503	23,005	23,005

Notes:

(1) This is the range of units under the ESU Plan that may be eligible to vest, not including units related to reinvested dividends. See "Report on Executive Compensation — Medium-term Incentives" for more information about the ESU Plan.

(2) Does not include units related to reinvested dividends.

Stock Options Granted in 2004

The following table outlines the stock options granted under the Stock Option Plan to each of the Named Executive Officers in February 2004.

Name	Date of Grant	Number of Common Shares Under Options Granted[(1)]	% of Total Options Granted to Employees	Exercise Price ($/common share)[(2)]	Market Value of Common Shares Underlying Options on the Date of Grant ($/common share)	Expiration Date
H.N. Kvisle	23-Feb-04	165,000	12.40	26.85	26.80	23-Feb-11
R.K. Girling	23-Feb-04	60,000	4.51	26.85	26.80	23-Feb-11
A.J. Pourbaix	23-Feb-04	60,000	4.51	26.85	26.80	23-Feb-11
R.J. Turner	23-Feb-04	40,000	3.01	26.85	26.80	23-Feb-11
D.J. McConaghy	23-Feb-04	60,000	4.51	26.85	26.80	23-Feb-11

Notes:

(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 higher of the closing price of common shares on the award date and the weighted average closing price of common shares on the TSX during the five trading days immediately prior to the award date of the options.

Aggregate Option Exercises during 2004 and 2004 Year-End Option Values

The following table outlines, for each of the Named Executive Officers:

- The number of stock options, if any, exercised during the financial year ended December 31, 2004;
- The aggregate value realized upon exercise;
- The total number of unexercised options, if any; and
- The value of unexercised "in-the-money" options at December 31, 2004.

Name	Common Shares Acquired on Exercise (#)	Aggregate Value Realized ($)	Unexercised Options at December 31, 2004 (#)		Value of Unexercised in-the-Money Options at December 31, 2004(1) ($)	
			Exercisable	Unexercisable	Exercisable	Unexercisable
H.N. Kvisle	0	0	516,667	335,833	5,715,152	1,796,623
R.K. Girling	235,162	2,404,055	75,417	129,583	607,240	711,410
A.J. Pourbaix	0	0	147,917	129,583	1,325,915	711,410
R.J. Turner	23,256	373,111	207,094	92,500	2,232,542	430,425
D.J. McConaghy	6,349	83,277	187,275	111,250	2,162,599	569,962

Note:

(1) The value of unexercised "in-the-money" options at the financial year end is the difference between the exercise price and the closing price of $29.80 per share of a common share on the TSX on December 31, 2004. The underlying 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.

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 HR Committee may from time to time determine. Starting in 2005, the HR Committee determined that only executive-level employees will participate in the plan. The following provides key information regarding the Stock Option Plan provisions:

- The plan was first approved by shareholders in 1995;
- There was an amendment approved by shareholders at TransCanada's annual and special meeting of shareholders held on April 23, 2004 to increase the number of shares issuable by 1,000,000;
- A maximum of 26,000,000 of TransCanada's common shares may be issued under the plan. This represents 5.36% of common shares issued and outstanding as at March 1, 2005;
- As at March 1, 2005, there were approximately 10,694,000 common shares issuable upon the exercise of outstanding stock options. This represents 2.2% of issued and outstanding common shares;
- As at March 1, 2005, there were approximately 3,627,500 common shares remaining available for issuance. This represents 0.75% of issued and outstanding common shares;
- As at March 1, 2005, approximately 11,678,500 common shares have been issued upon the exercise of stock options, representing 2.4% of issued and outstanding common shares; and
- The exercise price for unexercised issued stock options ranges from $10.03 to $30.09, with expiry periods ranging from March 3, 2005 to February 28, 2012.

Under the terms of the Stock Option Plan, the maximum number of common shares reserved for issuance as stock options to any one participant cannot exceed 5% of TransCanada's common shares then issued and outstanding. There are no restrictions on the number of stock options that may be granted to insiders, subject to the foregoing limitation. Stock options cannot be transferred or assigned by participants other than by will or by participants who for any reason are unable to manage their affairs.

Stock options granted in 2004 vest as to one-third on each anniversary of the grant date for a period of three years and have a seven year expiry date. The exercise price of a stock option is equal to the higher of the closing price of common shares on the award date and the weighted average closing price of common shares on the TSX during the five trading days immediately prior to the award date of the stock options. Administrative changes were made to the use of the Stock Option Plan in 2003 which did not require an amendment to the terms of the plan. More information on these changes is found in "Changes to the Executive Compensation Program — Stock Option Plan".

Under the current terms of the Stock Option Plan, stock options expire on the earlier of:

1. The third anniversary of the date of a participant's retirement;
2. The first anniversary of the date of a participant's death; and
3. The seven year anniversary of the date of grant.

The following table outlines the action prescribed by the Stock Option Plan, following an employment event:

Employment Event	Action
Resignation	The participant may exercise outstanding exercisable stock options no later than the last day of active employment, after which date all outstanding stock options are forfeited.
Termination without cause	The participant may exercise outstanding exercisable stock options no later than the last day of the notice period, after which date all outstanding stock options are forfeited.
Termination for cause	The participant may exercise outstanding exercisable stock options no later than 10 days after the last day of active employment, after which date all outstanding stock options are forfeited.

The HR Committee has the power to amend or discontinue this plan at any time, provided, however, that any amendment which increases the number of common shares that may be issued under the plan, must be approved by the shareholders of TransCanada. Any such amendment shall not alter or impair the rights of any participants without their consent.

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 options under the Stock Option Plan, the weighted-average exercise price of the outstanding options, and the number of common shares remaining available for future issuance under the Stock Option Plan, all at December 31, 2004.

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	9,964,792	$20.90	4,682,535
Equity compensation plans not approved by security holders	Nil	Nil	Nil
TOTAL	**9,964,792**	**$20.90**	**4,682,535**

Long-term Incentive Plan Grants Outstanding

This section includes information on previously awarded medium and long term incentive grants that are still outstanding as of December 31, 2004 under the specified plans. These outstanding grants have not yet been recorded as LTIP Payouts in the Summary Compensation Table, Column (h).

Executive Share Unit Plan

The following table outlines the medium-term incentive grants under the ESU Plan that are in addition to those granted in 2004 and disclosed under "Long-term Incentive Plan Awards — 2004 Executive Share Unit Plan Grants" above.

			Estimated Future Payouts Under Non-Securities-Price-Based Plans (units)(2)			
Name (a)	Securities, Units or Other Rights(1) (#) (b)	Performance or Other Period Until Maturation or Payout (c)	Below Threshold (#)	Threshold (#) (d)	Target (#) (e)	Maximum (#) (f)
H.N. Kvisle	0 - 50,000	01-Jan-03 through 31-Dec-05	0	25,000	50,000	50,000
R.K. Girling	0 - 20,000	01-Jan-03 through 31-Dec-05	0	10,000	20,000	20,000
A.J. Pourbaix	0 - 20,000	01-Jan-03 through 31-Dec-05	0	10,000	20,000	20,000
R.J. Turner	0 - 15,000	01-Jan-03 through 31-Dec-05	0	7,500	15,000	15,000
D.J. McConaghy . . .	0 - 15,000	01-Jan-03 through 31-Dec-05	0	7,500	15,000	15,000

Notes:

(1) This is the range of units under the ESU Plan that may be eligible to vest, not including units related to reinvested dividends. See "Report on Executive Compensation — Medium-term Incentives" for more information about the ESU Plan.

(2) Does not include units related to reinvested dividends.

Performance Unit Plan

The following table outlines PUP awards 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 on February 28, 2005, as the accrual is attributable to 2004 performance. See "Changes to the Executive Compensation Program — Performance Unit Plan" for information with respect to this plan. As at December 31, 2004, approximately 6,976,000 units under the PUP were outstanding. As at March 1, 2005, approximately 6,941,000 units under the PUP were outstanding with a dollar value of $28,653,718.

			Estimated Future Payouts Under Non-Securities Price-Based Plans(3)			
Name (a)	Securities, Units or Other Rights(1) (#) (b)	Performance or Other Period Until Maturation or Payout(2) (c)	Below Threshold ($)	Threshold ($) (d)	Target ($) (e)	Maximum ($) (f)
H.N. Kvisle	150,000	25-Feb-12	0	476,250	476,250	476,250
	100,000	20-Mar-11	0	407,500	407,500	407,500
	42,500	27-Feb-11	0	173,188	173,188	173,188
	55,000	28-Feb-10	0	272,525	272,525	272,525
	50,000	01-Feb-10	0	247,750	247,750	247,750
	90,000	01-Sep-09	0	445,950	445,950	445,950

Name (a)	Securities, Units or Other Rights[(1)] (#) (b)	Performance or Other Period Until Maturation or Payout[(2)] (c)	Estimated Future Payouts Under Non-Securities Price-Based Plans[(3)] Below Threshold ($)	Threshold ($) (d)	Target ($) (e)	Maximum ($) (f)
R.K. Girling	65,000	25-Feb-12	0	206,375	206,375	206,375
	45,000	27-Feb-11	0	183,375	183,375	183,375
	45,000	28-Feb-10	0	222,975	222,975	222,975
	50,000	01-Feb-10	0	247,750	247,750	247,750
	20,000	29-Jul-09	0	99,110	99,110	99,110
	25,000	01-Mar-09	0	123,875	123,875	123,875
	25,000	03-Dec-08	0	123,875	123,875	123,875
	25,162	09-Dec-07	0	155,124	155,124	155,124
A.J. Pourbaix	65,000	25-Feb-12	0	206,375	206,375	206,375
	35,000	27-Feb-11	0	142,625	142,625	142,625
	20,000	28-Feb-10	0	99,100	99,100	99,100
	20,000	01-Feb-10	0	99,100	99,100	99,100
	20,000	01-Mar-09	0	99,100	99,100	99,100
	17,500	03-Dec-08	0	86,713	86,713	86,713
R.J. Turner	50,000	25-Feb-12	0	158,750	158,750	158,750
	42,500	27-Feb-11	0	173,188	173,188	173,188
	35,000	28-Feb-10	0	173,425	173,425	173,425
	50,000	01-Feb-10	0	247,750	247,750	247,750
	20,000	29-Jul-09	0	99,100	99,100	99,100
	40,000	01-Mar-09	0	198,200	198,200	198,200
D.J. McConaghy	45,000	25-Feb-12	0	142,875	142,875	142,875
	35,000	27-Feb-11	0	142,625	142,625	142,625
	20,000	28-Feb-10	0	99,100	99,100	99,100
	20,000	01-Feb-10	0	99,100	99,100	99,100
	17,500	01-Mar-09	0	86,713	86,713	86,713

Notes:

(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 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 performance units maturing on February 1, 2010 granted under a one time special performance incentive program, which vested on February 22, 2002.

(3) The HR Committee determined in February 2005 that $1.14 will accrue for 2004 in respect of the awards made from 1995 to 2002. The amounts referred to herein are either received in full or forfeited by the Named Executive Officers. See "Changes to the Executive Compensation Program — Performance Unit Plan" for more information.

Pension and Retirement Benefits for Executive Officers

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 employees participate in the TCPL Registered Pension Plan, which is now solely a non-contributory defined benefit pension plan. The Registered Pension Plan previously provided three benefit options, a defined benefit, a defined contribution and a combination option (defined benefit and defined contribution). It was amended on October 1, 2001 to eliminate the combination option for new members and on January 1, 2003 to eliminate the defined contribution option.

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 YMPE[(2)]

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*")

Notes:

(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 to a targeted percentage or for executive employees a fixed percentage of their base salary. Pensionable earnings do not include overtime, shift and premium differentials or any other forms of compensation.

(2) *YMPE* means Year's Maximum Pensionable Earnings under the Canada/Québec Pension Plan (C/QPP). *Final Average YMPE* means the average of the YPME in effect for the latest calendar year from which earnings are included in an employee's highest earnings calculation plus the two previous years.

Registered defined benefit pension plans are subject to a maximum annual benefit accrual under the *Income Tax Act* (Canada), which is currently $2,000 for each year of Credited Pensionable Service, with the result that benefits cannot be earned in the Registered Pension Plan on compensation above approximately $126,000 per annum.

Supplemental Pension Plan

All TCPL employees with pensionable earnings over the *Income Tax Act* (Canada) ceiling of $126,000, including the Named Executive Officers, participate in the company's non-contributory defined benefit Supplemental Pension Plan. Approximately 417 TCPL employees currently participate in the Supplemental Pension Plan.

The Supplemental Pension Plan is funded through a retirement compensation arrangement (RCA), 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 per cent 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 were 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 HR 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 per cent 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 or married participants who have received spousal consent and who have so elected, 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 "years of credited pensionable service classifications".

Highest Average Earnings	Years of Credited Pensionable Service					
	10	15	20	25	30	35
$ 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

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:

	Kvisle(2)	Girling(3)	Pourbaix(3)	Turner	McConaghy
Years of Credited Service to December 31, 2004	10.33	6.00	6.00	22.80	24.83
Accrued Pension at December 31, 2004 and Payable at age 60(1)	$264,000	$ 72,000	$ 59,000	$280,000	$230,000
Years of Credited Service to age 60	23.16	26.50	29.58	31.13	31.99
Annual Benefit Payable at age 60(1)	$595,000	$311,000	$285,000	$381,000	$295,000

Notes:

(1) Amounts are rounded to the nearest one thousand dollar.

(2) Mr. Kvisle was granted five years of additional credited pensionable service which vested on his fifth anniversary of employment. Mr. Kvisle is also eligible for one additional year of credited pensionable service for each of the next five continuous years of service with the company. The additional credited service 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).

(3) Upon the completion of three years of continuous service from September 8, 2004, Mr. Girling and Mr. Pourbaix will each be granted three years of additional credited service 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 2004 Pension Expense Related to Service and Compensation

Amounts reported in the table below represent the pension expense related to 2004 service 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 2004 and the actuarial assumptions used for the year.

Name	Fiscal 2004 pension expense related to service and compensation
H.N. Kvisle	$894,000
R.K. Girling	$ 86,000
A.J. Pourbaix	$ 70,000
R.J. Turner	$ 21,000
D.J. McConaghy	$175,000

Accrued Pension Obligations

As at December 31, 2004, TCPL's accrued obligation for the Supplemental Pension Plan was approximately $155.9 million. The 2004 current service costs and interest costs of the Supplemental Pension Plan were approximately $3.4 and $8.3 million, respectively, for a total of $11.7 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 18 of the Notes to the Audited Consolidated Financial Statements which are available on the company's website at www.transcanada.com and filed with Canadian securities regulators 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 2004 expense attributed to service and compensation, as well as the normal increases[1] to pension obligations arising from the annual valuation of the company's pension plans.

Name	Accrued obligation at December 31, 2003[2] (a)	Change in accrued obligation for 2004[2][3] (b)	Accrued obligation at December 31, 2004[2] (c) = (a) + (b)
H.N. Kvisle	2,357,000	1,254,000	3,611,000
R.K. Girling	485,000	200,000	685,000
A.J. Pourbaix	389,000	175,000	564,000
R.J. Turner	2,931,000	361,000	3,292,000
D.J. McConaghy	2,549,000	457,000	3,006,000

Notes:

(1) The normal increases include interest on the beginning of year obligation and changes in interest rate assumptions as a result of changes in long-term bond yields.

(2) 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 2003 and 2004 audited 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.

(3) Excluded from the change in accrued obligations for 2004 is the impact of investment returns on the company's pension plan assets.

Supplemental Disclosure of Compensation

Decisions regarding medium and long-term grants are made annually by the HR Committee in February prior to the publication of the AIF. Therefore, although not a requirement, TCPL discloses these forthcoming compensation awards for the Named Executive Officers.

The following tables outline the grants made under the noted plans that were approved in February 2005. For information pertaining to the noted compensation plans, please refer to the Report on Executive Compensation, found elsewhere in this AIF.

Medium Term Incentives — Executive Share Unit Plan

Name (a)	Securities, Units or Other Rights[1] (#) (b)	Performance or Other Period Until Maturation or Payout (c)	Estimated Future Payouts Under Non-Securities-Price-Based Plans (units)[2] Below Threshold (#)	Threshold (#) (d)	Target (#) (e)	Maximum (#) (f)
H.N. Kvisle	0-65,320	01-Jan-05 through 31-Dec-07	0	32,660	65,320	97,980
R.K. Girling	0-18,349	01-Jan-05 through 31-Dec-07	0	9,175	18,349	27,524
A.J. Pourbaix	0-15,657	01-Jan-05 through 31-Dec-07	0	7,829	15,657	23,486
R.J. Turner	0-12,458	01-Jan-05 through 31-Dec-07	0	6,229	12,458	18,687
D.J. McConaghy	0-12,458	01-Jan-05 through 31-Dec-07	0	6,229	12,458	18,687

Notes:

(1) This is the range of units under the ESU Plan that may be eligible to vest, not including units related to reinvested dividends. See "Report on Executive Compensation — Changes to the Executive Compensation Program — ESU Plan" for more information about the ESU Plan.

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

Long Term Incentives — Stock Option Plan

Name	Date of Grant	Number of Common Shares Under Options Granted[1]	% of Total Options Granted to Employees	Exercise Price ($/common share)[2]	Market Value of Common Shares Underlying Options on the Date of Grant ($/common share)	Expiration Date
H.N Kvisle	28-Feb-05	160,000	15.17%	$30.09	$29.72	28-Feb-12
R.K. Girling	28-Feb-05	60,000	5.69%	$30.09	$29.72	28-Feb-12
A.J. Pourbaix	28-Feb-05	60,000	5.69%	$30.09	$29.72	28-Feb-12
R.J. Turner	28-Feb-05	40,000	3.79%	$30.09	$29.72	28-Feb-12
D.J. McConaghy	28-Feb-05	40,000	3.79%	$30.09	$29.72	28-Feb-12

Notes:

(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 higher of the closing price of common shares on the award date and the weighted average closing price of common shares on the TSX during the five trading days immediately prior to the award date of the options.

Employee Stock Savings Plan

Named Executive Officers may participate in the Employee Stock Savings Plan on the same basis as all other TCPL employees. Each employee may direct a payroll deduction toward the purchase of common shares. TCPL matches the employee-directed purchase in an amount equal to 25% of the employee amount to a maximum additional TCPL contribution of 1% of the employee's base salary. The shares purchased and the dividends paid on those shares are allocated to the employee account and vest immediately.

Employment Contracts

In 2002, the HR 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 TCPL. In addition, for the next five years Mr. Kvisle will be granted one additional year of credited pensionable service on his anniversary date. All such additional service is not to exceed 10 additional years of credited pensionable service and is only to be recognized on that portion of his pensionable earnings which exceeds his annual Registered Pension Plan earnings, to be recognized in the TCPL Supplemental Pension Plan.

In 2004, the HR Committee also approved arrangements for Mr. Girling and Mr. Pourbaix to obtain additional credited pensionable service. Subject to these executives maintaining continuous employment with TCPL until September 8, 2007 they will each receive three additional years of credited pensionable service on that date.

ADDITIONAL INFORMATION

1. Additional information in relation to TCPL may be found on SEDAR at www.sedar.com.
2. Additional information including directors' and officers' remuneration and indebtedness, principal holders of TCPL'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

AIF — Annual Information Form of TCPL Corporation dated March 7, 2005
Alberta System — A natural gas transmission system throughout the province of Alberta
APG — Aboriginal Pipeline Group or Mackenzie Valley Aboriginal Pipeline L.P.
Bcf — Billion cubic feet
BC System — A natural gas transmission system in southeastern B.C.
Bécancour Plant — A power plant near Trois-Rivières, Québec
Board — TCPL's Board of Directors
Bruce Power — Bruce Power L.P.
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
CSA — Canadian Securities Administrators
ERA — *Electricity Restructuring Act*, 2004
EUB — Alberta Energy and Utilities Board
External Auditor — KPMG LLP
FERC — Federal Energy Regulatory Commission (USA)
Foothills — Foothills Pipe Lines Ltd.
Foothills System — A natural gas pipeline system in southeastern B.C., southern Alberta and southwestern Saskatchewan
Gas Pacifico — Gasoducto del Pacifico
GCOC — Generic cost of capital
GRA — General rate application
Grandview Plant — A power plant in Saint John, New Brunswick
Great Lakes System — A natural gas pipeline system in the north central U.S., roughly parallel to the Canada — U.S. Border
GTN System — A natural gas transmission system running from northwestern Idaho, through Washington and Oregon to California
HS&E — Health, Safety and Environment
Iroquois System — A natural gas pipeline system in New York
LNG — Liquefied Natural Gas
Mackenzie Producers — Mackenzie Delta Producers Group
MD&A — TCPL's Management's Discussion and Analysis dated March 1, 2005
Meeting — The Annual Meeting of the holders of common shares of TransCanada to be held on April 29, 2005.
Mmcf/d — Million British thermal units per day
MW — Megawatts
NBP L.P. — Northern Border Partners, L.P.
NEB — National Energy Board (Canada)
NEGT — National Energy & Gas Transmission, Inc.
NGTL — NOVA Gas Transmission Ltd.

North Baja System — A natural gas pipeline system in southeastern California
Northern Border Pipeline — Northern Border Pipeline Company
NYSE — New York Stock Exchange
OPG — Ontario Power Generation Inc.
Portland — Portland Natural Gas Transmission System Partnership
Power LP — TransCanada Power, L.P.
Proxy Circular — TransCanada's Management Proxy Circular dated March 1, 2005
psi — Pounds per square inch
ROE — Return on common equity
SEC — U.S. Securities and Exchange Commission
Shell — Shell US Gas & Power LLC
Simmons Pipeline System — A natural gas pipeline system in northeastern Alberta
SOX — U.S. *Sarbanes-Oxley Act* of 2002
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
USGen — US Gen New England, Inc.
VCR — Voluntary Challenge and Registry
WCSB — Western Canada Sedimentary Basin
Year End — December 31, 2004

SCHEDULE "A"

Exchange Rate of the Canadian Dollar

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

	Year Ended				
	2004	2003	2002	2001	2000
Yearly High Noon Rate	1.3968	1.5747	1.6132	1.6021	1.5593
Yearly Low Noon Rate	1.1774	1.2924	1.5110	1.4936	1.4341
Yearly Average Noon Rate	1.3016	1.4014	1.5703	1.5484	1.4852
Year-End Noon Rate	1.2036	1.2924	1.5796	1.5926	1.5002*

* Year end noon rate for 2000 is as at December 29, 2000.

On March 7, 2005, the noon rate for the U.S. dollar as reported by the Bank of Canada was US $1.00 = Cdn. $1.2293.

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"

CHARTER OF
THE AUDIT COMMITTEE

PART 1

Establishment of Committee and Procedures

1. Committee

A Committee of the Directors to be known as the "Audit Committee" is established. The Committee shall assist the Board of Directors (the "Board") in overseeing, among other things, the integrity of the financial statements of the Company, the compliance by the Company with legal and regulatory requirements and the independence and performance of the Company's internal and external auditors.

2. Composition of Committee

The Committee shall consist of not less than three and not more than seven 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 as defined in the applicable requirements of relevant securities legislation and the applicable rules of any stock exchange on which the Company's securities are listed for trading. Each member of the 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).

3. Appointment of Committee Members

The members of the Committee shall be appointed by the Board on the recommendation of the Governance Committee. The members of the Committee shall be appointed as soon as practicable following each annual meeting of Shareholders, and shall hold office until the next annual meeting, or until their successors are earlier appointed, or until they cease to be Directors of the Company.

4. Vacancies

Where a vacancy occurs at any time in the membership of the Committee, it may be filled by the Board on the recommendation of the Governance Committee and shall be filled by the Board if the membership of the Committee is less than three Directors or if the Committee ceases to meet the requirements for audit committees as provided under securities laws and the rules of any stock exchange upon which the Company's shares are listed for trading.

5. Committee Chair

The Board shall appoint a Chair for the Committee.

6. Absence of Committee Chair

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

7. **Secretary of Committee**

The Committee shall appoint a Secretary who need not be a Director of the Company.

8. **Meetings**

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

9. **Quorum**

A majority of the members of the 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.

10. **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 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.

11. **Attendance of Company Officers and Employees at Meeting**

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

12. **Procedure, Records and Reporting**

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

13. **Review of Charter and Evaluation of Committee**

The 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 Committee shall annually review the Committee's own performance.

14. **Outside Experts and Advisors**

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

15. **Reliance**

Absent actual knowledge to the contrary (which shall be promptly reported to the Board), each member of the 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 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.

PART II

Specific Mandate of Committee

16. 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 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 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 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 Committee.

The 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 Committee shall take appropriate action to satisfy itself of the independence of the external auditors.

17. Oversight in Respect of Financial Disclosure

The 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 Committee need not discuss in advance each instance in which the Company may provide earnings guidance or presentations to rating agencies;

(e) review annual and quarterly financial statements and annual disclosure documents of NOVA Gas Transmission Ltd. ("NGTL");

(f) 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;

(g) 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;

(h) 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;

(i) 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;

(j) review disclosures made to the 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;

(k) 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;

18. 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;

19. 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 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;

20. Oversight 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 and NGTL;

(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;

21. 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 Committee and approved prior to the completion of the audit by the Committee or by one or more members of the Committee to whom authority to grant such approvals has been delegated by the Committee;

(b) approval by the 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 Committee may delegate to one or more designated members of the 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 Committee at its first scheduled meeting following such pre-approval;

(d) if the 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;

22. 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 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;

23. Oversight in Respect of Pension Matters

(a) consider and in accordance with regulatory requirements approve any changes in the Company's pension plans having to do with financial matters after consultation with the Human Resources Committee in respect of any effect such a change may have on pension benefits;

(b) review and consider financial and investment reports relating to the Company's pension plans;

(c) appoint and terminate the engagement of investment managers with respect to the Company's pension plans;

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

24. 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;

25. Oversight Function

While the Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the 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 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 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 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 Committee and Board in the absence of such designation. Rather, the role of any audit committee financial expert, like the role of all 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.