



TRANSCANADA CORPORATION

**RENEWAL
ANNUAL INFORMATION FORM**

for the year ended December 31, 2003

February 24, 2004

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REFERENCE INFORMATION

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

- Exchange Rate of the Canadian Dollar
- Metric Conversion Table

PRESENTATION OF INFORMATION

Unless otherwise noted, the information contained in this Renewal Annual Information Form (“AIF”) is given as at December 31, 2003 (“Year End”).

This AIF has been prepared to reflect the presentation of the operations of TransCanada Corporation (“TransCanada”) as they are presented in TransCanada’s 2003 Audited Consolidated Financial Statements. TransCanada’s Management’s Discussion and Analysis dated February 24, 2004 (“MD&A”) can be found in TransCanada’s Annual Report to Shareholders for the year ended December 31, 2003 (“Annual Report”) and is incorporated by reference into this AIF, together with Notes 1, 16 and 17 of TransCanada’s 2003 Audited Consolidated Financial Statements which are also contained in the Annual Report.

Unless the context indicates otherwise, a reference in this AIF to “TransCanada” includes the subsidiaries of TransCanada through which its various business operations are conducted. In particular, “TransCanada” includes references to TransCanada PipeLines Limited (“TCPL”). Where TransCanada is referred to with respect to actions that occurred prior to its 2003 arrangement with TCPL which is described below under the heading “The Company — TransCanada Corporation”, 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.

Trends impacting TransCanada’s gas transmission and power businesses are discussed in the MD&A under the headings “Gas Transmission” (under the subheadings “Opportunities”, “Challenges” and “Canadian Regulatory Development”) and “Power” (under the subheadings “Opportunities” and “Challenges”).

FORWARD-LOOKING INFORMATION

Documents incorporated by reference in this AIF and other reports and filings made with the securities regulatory authorities include forward-looking statements. All forward looking statements are based on TransCanada’s current beliefs as well as assumptions made by and information currently available to TransCanada and relate to, among other things, anticipated financial performance, business prospects, strategies, regulatory developments, new services, market forces, commitments and technological developments. Much of this information 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 TransCanada’s actual results and experience to differ materially from the anticipated results or other expectations expressed. Readers are cautioned not to place undue reliance on this forward-looking information, which is given as of the date it is expressed in this AIF or otherwise, and TransCanada undertakes no obligation to update publicly or revise any forward-looking information, whether as a result of new information, future events or otherwise.

THE COMPANY

TransCanada Corporation

TransCanada was incorporated pursuant to the provisions of the *Canada Business Corporation Act* on February 25, 2003 in connection with a plan of arrangement designed to establish TransCanada as the parent company of TCPL. 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. TransCanada does not hold any assets directly other than the common shares of TCPL.

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

<u>Date</u>	<u>Event</u>
February 25, 2003	TransCanada incorporated under <i>Canada Business Corporations Act</i> .
May 15, 2003	Certificate of Arrangement issued.

The significant dates and events relating to TCPL are set out in TCPL's Renewal Annual Information Form for the year ended December 31, 2003, dated February 24, 2004.

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

TransCanada does not directly employ any employees or contractors. At Year End, TransCanada's principal operating subsidiary, TCPL, had approximately 2,325 employees in Canada and the United States, and two employees posted abroad.

Subsidiaries

TransCanada's significant subsidiaries at Year End are noted below. The list excludes certain of TransCanada's subsidiaries where:

- the total assets and total revenue of the individual excluded subsidiaries do not constitute more than ten per cent of the consolidated assets and revenues of TransCanada at the most recent year end; and
- the aggregate assets and operating revenues of the excluded subsidiaries represent less than 20 per cent of the consolidated assets and revenues of TransCanada at the most recent year end.

<u>Subsidiary⁽¹⁾</u>	<u>Organized Under the Laws of</u>	<u>Percentage Ownership by TransCanada of Voting Shares</u>
TransCanada PipeLines Limited	Canada	100
NOVA Gas Transmission Ltd.	Alberta	100
TransCanada PipeLine USA Ltd.	Nevada	100
701671 Alberta Ltd.	Alberta	100
TransCanada Energy Ltd.	Canada	100

Note:

(1) Names shown without indentation are direct subsidiaries of TransCanada. The indentation of the name of a subsidiary indicates that such subsidiary is held by a subsidiary of TransCanada. The percentage ownership shown for a subsidiary is that held directly by its immediate parent.

Gas Transmission Business

Canada

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

- a natural gas transmission system throughout the province of Alberta (“*Alberta System*”);
- a Canadian mainline natural gas transmission system (“*Canadian Mainline*”);
- a natural gas transmission system in southeastern B.C., southern Alberta and southwestern Saskatchewan (“*Foothills System*”);
- a natural gas transmission system in southeastern British Columbia (“*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

TransCanada, through subsidiaries, has natural gas pipeline holdings in the United States including:

- a 50 per cent interest in Great Lakes Gas Transmission Limited Partnership (“*Great Lakes*”);
- a 41 per cent interest in the Iroquois Gas Transmission System (“*Iroquois*”);
- a 61.7 per cent interest in the Portland Natural Gas Transmission System Partnership (“*Portland*”);
- a 12.3 per cent voting interest in Northern Border Pipeline Company (“*Northern Border*”) through Northern Border Partners, L.P. (“*NBP L.P.*”) and a 30 per cent interest in Northern Border through TC PipeLines, L.P.; and
- a one per cent interest in Tuscarora Gas Transmission Company (“*Tuscarora*”).

TransCanada holds a 33.4 per cent interest in TC PipeLines, L.P., a publicly held limited partnership of which a subsidiary of TransCanada 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 and a 49 per cent interest in Tuscarora.

Power Business

TransCanada owns and/or operates or has under construction or development a number of power plants, and purchases power under a number of power purchase arrangements. TransCanada’s power plants and power purchase arrangements, in the aggregate, represent approximately 4,667 megawatts (“*MW*”) of power generation capacity.

TransCanada holds a 35.6 per cent interest in TransCanada Power, L.P. (“*Power LP*”), with the remaining interest being widely held by the public. A subsidiary of TransCanada acts as the general partner of Power LP. Power LP owns seven power plants which are managed by TransCanada.

GENERAL DEVELOPMENT OF THE BUSINESS

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

Developments in Gas Transmission Business

TransCanada's focus has been to sustain, grow and optimize its natural gas transmission business, including to pursue changes to the regulated business models that are applicable to TransCanada's operations. Summarized below are significant developments that have occurred in TransCanada's natural gas transmission business over the last three years.

2003

In August 2003, TransCanada acquired the remaining interests in Foothills Pipe Lines Ltd. ("*Foothills*") that it did not previously own. The Foothills System, which is owned by Foothills, complements TransCanada's existing western Canadian facilities. It extends 1,040 kilometres and carries over 30 per cent of all Canadian natural gas exports to the United States.

TransCanada, 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, TransCanada, 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. TransCanada agreed to finance the APG's share of project definition 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.

In September 2003, TransCanada and ConocoPhillips Company ("*ConocoPhillips*") announced the Fairwinds Partnership to jointly evaluate a liquefied natural gas ("*LNG*") regasification facility in Harpswell, Maine. TransCanada also continues to pursue other LNG projects in North America.

TransCanada increased its ownership interest in Portland in the northeastern United States from 33.3 per cent to 61.7 per cent through acquisitions that took place in September and December 2003.

For further information about Gas Transmission Developments in 2003, refer to the headings "Business of TransCanada — Gas Transmission — Wholly-Owned Pipelines" and "Business of TransCanada — Gas Transmission — Other Gas Transmission" below.

2002

In August 2002, TransCanada completed the acquisition of a portion of the two per cent general partnership interest in NBP L.P., a publicly held limited partnership which provides TransCanada with a 17.5 per cent voting interest on its partnership policy committee. NBP L.P. owns interests in pipelines and gas processing plants in the United States and Canada, including a 70 per cent interest in Northern Border.

2001

In January 2001, TransCanada announced that it had reached a settlement in principle regarding 2001 and 2002 tolls and services on the Alberta System. The settlement established the Alberta System's fixed revenue requirement for the next two years. The settlement, approved by the Alberta Energy and Utilities Board ("*EUB*"), together with the receipt point specific rate design previously approved by the EUB, formed the basis of the Alberta System's tolls in 2002.

In February 2001, TransCanada announced that it had reached a settlement regarding the 2001 and 2002 services and pricing on the Canadian Mainline that resolved all issues other than cost of capital. The parties agreed that the issue of cost of capital would be determined in a different forum. The National Energy Board (“NEB”) approved the settlement.

By December 31, 2001, TransCanada had sold the majority of its natural gas marketing and trading operations, including its structured products business, most of its natural gas transportation and storage contracts and its net back pool operations.

Developments in Power Business

In the past three years, TransCanada has grown its power business and, in particular, has increased its generation capacity from approximately 2,253 MW in 2001 to 4,667 MW in 2003. In addition, net earnings from power operations has increased by \$52 million over the same period. Summarized below are significant developments that have occurred in TransCanada’s power business over the last three years.

2003

In February 2003, TransCanada, 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 Year End with a capacity of 3,910 MW. An additional reactor with capacity of 750 MW was restarted in January 2004.

The members of the purchasing consortium of Bruce Power have severally, on a pro-rata basis, guaranteed 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 its pre-acquisition management which is comprised of experienced nuclear power plant operators. Spent fuel and decommissioning liabilities remain with OPG under the terms of the lease.

In 2003, TransCanada announced that it would construct two new power plants. The first of these is the 550 MW natural gas-fired Bécancour cogeneration power plant near Trois-Rivières, Québec (“*Bécancour Plant*”) which will supply its entire power output to Hydro-Québec. Distribution is provided for under a 20 year power purchase contract. 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. TransCanada is also constructing 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*”). 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. The cost of the Grandview Plant is estimated to be approximately \$90 million. Construction of the Grandview Plant began in 2003 and has an expected in-service date at the end of 2004. In addition, construction of the 165 MW MacKay River power plant was completed in 2003 and the plant is expected to be put into commercial service in the first quarter of 2004.

2002

In November 2002, TransCanada completed the acquisition of the 300 MW ManChief power plant, situated approximately 145 kilometres northeast of Denver, Colorado. The ManChief power plant is operated under contract by an unaffiliated third party.

2001

In 2001, TransCanada acquired 50 per cent of the power purchase arrangements for the Sundance B power plant located near Edmonton, Alberta. Sundance B has capacity to generate 706 MW. In addition, TransCanada completed construction of two natural gas fired plants: an 80 MW power plant near Carseland, Alberta and a 40 MW power plant near Redwater, Alberta. Finally, TransCanada acquired Curtis Palmer Hydroelectric Company, L.P. in July 2001, which owns and operates two hydroelectric plants near Corinth, New York which

have a combined generating capacity of 60 MW. The entire output from the Curtis Palmer plants are committed to a purchaser under a long-term, fixed-price power purchase arrangement.

Recent Developments

On February 24, 2004, TransCanada announced an agreement to acquire Gas Transmission Northwest Corporation (“*GTNC*”) from National Energy & Gas Transmission, Inc. (“*NEGT*”) for approximately US\$1.703 billion, including US\$500 million of assumed debt and subject to typical closing adjustments. The acquisition of *GTNC* is subject to bankruptcy court approval, including completion of a court sanctioned auction process, and to regulatory approval. The agreement contemplates that final bankruptcy court approval of the sale will be obtained within 75 days of signing the agreement.

GTNC is a natural gas pipeline company that owns and operates two pipeline systems. The first of these is the Gas Transmission Northwest pipeline system, formerly known as Pacific Gas Transmission, which extends more than 2,174 kilometres from a connection point on TransCanada’s BC System near Kingsgate, British Columbia on the British Columbia — Idaho border to a point near Malin, Oregon on the Oregon — California border. The second pipeline system, the North Baja pipeline system, extends 128 kilometres from a point near Ehrenberg, Arizona to a point near Ogilby, California on the California — Baja California, Mexico border. The natural gas transported on North Baja system comes primarily from supplies in the southwestern United States for markets in Northern Baja California, Mexico. The sale of the North Baja pipeline is subject to a right of first refusal held by an unaffiliated company.

In a referendum held on March 9, 2004, the residents of Harpswell, Maine voted against leasing a town-owned site for an LNG regasification facility which the Fairwinds Partnership had been evaluating for development. The Fairwinds Partnership subsequently announced that it has suspended any further work on the project in Harpswell, Maine.

BUSINESS OF TRANSCANADA

The following table shows TransCanada's revenues from operations by segment, classified geographically, for the years ended December 31, 2003 and 2002.

	2003	2002
	(millions of dollars)	(millions of dollars)
Gas Transmission		
Canada — Domestic Deliveries	2,492	2,076
Canada — Export Deliveries ⁽¹⁾	1,291	1,641
United States	173	204
	3,956	3,921
Power		
Canada — Domestic Deliveries	765	655
Canada — Export Deliveries ⁽¹⁾	2	—
United States	634	638
	1,401	1,293
Total Revenues ⁽²⁾	5,357	5,214

Notes:

- (1) Export deliveries include gas transmission revenues attributable to deliveries to United States pipelines and power deliveries to United States markets.
- (2) Revenues are attributed to countries based on country of origin of product or service.

Gas Transmission

TransCanada's transmission business principally includes the operation of the Canadian Mainline, the Alberta System, the Foothills System, the BC System and TransCanada's other investments in natural gas pipelines located primarily in Canada and the United States.

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 users elect to purchase natural gas supplies.

The volume of natural gas shipments on the Canadian Mainline, the Alberta System, the Foothills System and the BC System depends on the volume of natural gas produced and sold both in and outside of Alberta, and on the construction and availability of other pipeline capacity. The natural gas transported by TransCanada comes primarily from the Western Canada Sedimentary Basin ("WCSB"). The WCSB's estimated remaining established reserves of natural gas are approximately 57 trillion cubic feet ("Tcf") with a remaining reserve-to-production ratio of approximately nine years at current levels of production. 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 TransCanada'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, TransCanada 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 TransCanada's business set out herein, further information can be found in the MD&A under the heading "Gas Transmission — Wholly-Owned Pipelines — Business Risks".

Wholly-Owned Pipelines

Alberta System

The Alberta System, held by NOVA Gas Transmission Ltd. (“NGTL”), a subsidiary of TransCanada, is an Alberta-wide natural gas transmission system that collects and transports natural gas for use in Alberta and for delivery to connecting pipelines, such as the Canadian Mainline, the Foothills System and the BC System, as well as to other unaffiliated pipelines, at various points on the Alberta border for delivery to eastern Canada, British Columbia and the United States. The Alberta System includes approximately 22,700 kilometres of mainlines and laterals.

Capital expenditures, which are dependent in part upon requests for increased transportation service by customers, were \$53 million in 2003. TransCanada anticipates approximately \$90 million of capital spending on the Alberta System in 2004. These capital expenditures will be primarily related to capacity expansion.

The following table sets forth the annual volumes delivered off the Alberta System for the years ended December 31, 2003 and 2002.

Delivery Points	2003		2002	
	Volume ⁽¹⁾ (Bcf)	Per cent	Volume ⁽²⁾ (Bcf)	Per cent
Alberta	539	14	475	11
Eastern Canada and Eastern United States	1,552	40	1,738	42
Western United States	665	17	750	18
Midwestern United States	1,117	29	1,155	28
British Columbia	10	—	28	1
Total	<u>3,883</u>	<u>100</u>	<u>4,146</u>	<u>100</u>

Notes:

- (1) Of the total volumes transported in 2003, 1.89 Tcf of natural gas was delivered to the Canadian Mainline, 674 billion cubic feet (“Bcf”) of natural gas was delivered to the BC System (including the BC portion of the Foothills System) and 777 Bcf of natural gas was delivered to the Saskatchewan portion of the Foothills System.
- (2) Of the total volumes transported in 2002, 2.09 Tcf of natural gas was delivered to the Canadian Mainline, 773 Bcf of natural gas was delivered to the BC System (including the BC portion of the Foothills System) and 779 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 182 shippers pursuant to approximately 15,500 firm service transportation contracts.

As of Year End, the weighted average remaining term of firm transportation contracts was approximately 2.4 years, compared to a weighted average remaining term of 3.0 years as of December 31, 2002. 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. The Alberta System has seen a 30 per cent decrease in firm contracted capacity since the 1998-1999 contract year. Further information about the Alberta System can be found in the MD&A under the headings “Gas Transmission — Wholly-Owned Pipelines — Financial Review” and “Gas Transmission — Wholly-Owned Pipelines — Business Risks”.

Regulation of the Alberta System

The construction and operation of the Alberta System is regulated by the 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 February 2003, NGTL negotiated the Alberta System 2003 Revenue Requirement Settlement (“*2003 Settlement*”) with certain shippers and other interested parties. Under the Alberta System 2003 Settlement, approved by the EUB on June 24, 2003, NGTL’s 2003 revenue requirement was fixed at \$1.277 billion, subject to certain adjustments, including variances from previous agreements, CO₂ management service costs, and annual foreign exchange amortization amounts.

In March 2003, NGTL negotiated the 2003 Tariff Settlement with certain shippers and interested parties. The 2003 Tariff Settlement, approved by the EUB on June 24, 2003, established NGTL’s 2003 rates, tolls and charges for services, certain new services and new terms and conditions for certain existing services.

In July 2003, NGTL filed evidence in the EUB’s generic cost of capital proceeding (“*GCOC*”). NGTL is seeking a return of 11 per cent on a deemed common equity of 40 per cent for the Alberta System. NGTL has been advised by the EUB that it expects to adopt a standardized approach to determining return and capital structure for utilities under its jurisdiction through the GCOC. NGTL expects the EUB to issue its decision in the third quarter of 2004.

In September 2003, NGTL filed Phase 1 of its Alberta System 2004 General Rate Application (“*GRA-Phase 1*”) with the EUB. As part of the *GRA-Phase 1*, NGTL applied to increase the composite depreciation rate from 4.00 per cent to 4.13 per cent. NGTL filed Phase 2 of the *GRA*, dealing with rate design and services, in November 2003 (“*GRA-Phase 2*”). The EUB will consider the *GRA-Phase 1* and *GRA-Phase 2* in hearings scheduled to commence on April 1, 2004 and June 1, 2004, respectively.

On December 16, 2003, the EUB approved interim rates effective January 1, 2004, which will remain in place until final 2004 rates are determined.

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.

Canadian Mainline

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

Capital expenditures on the Canadian Mainline in 2003 were approximately \$48 million. These expenditures were primarily for maintenance capital and plant retirement projects. TransCanada anticipates approximately \$120 million of capital spending on the Canadian Mainline in 2004. The expected 2004 capital expenditures primarily relate to capacity capital, maintenance capital and plant retirement projects.

The following table sets forth the revenues earned and volumes delivered for the years ended December 31, 2003 and 2002 for the Canadian Mainline.

	2003		2002	
	Revenues (millions of dollars)	Per cent	Revenues ⁽¹⁾ (millions of dollars)	Per cent
<i>Revenues</i>				
Domestic	1,035	46	610	28
Export	1,214	54	1,568	72
Total	<u>2,249</u>	<u>100</u>	<u>2,178</u>	<u>100</u>

	2003		2002	
	Volume (Bcf)	Per cent	Volume (Bcf)	Per cent
<i>Volumes Transported</i>				
Domestic	1,295	49	1,223	47
Export	1,333	51	1,407	53
Total	<u>2,628</u>	<u>100</u>	<u>2,630</u>	<u>100</u>

Note:

(1) 2002 domestic revenues were reduced as a result of transportation service credits related to two new services offered in that year. Total credits of \$662 million were reported against 2002 domestic revenues. These services were discontinued in 2003.

Canadian Mainline Contracted Firm Transportation Services

As of Year End, the Canadian Mainline was providing transportation for 127 shippers pursuant to 352 firm service transportation contracts. Approximately 51 per cent of the total daily transportation volume represented by these contracts relates to contracts for delivery of natural gas at United States border points.

As of Year End, the weighted average remaining term of firm transportation contracts on the Canadian Mainline was approximately 3.2 years compared to a weighted average remaining term of 3.7 years at December 31, 2002. These contracts are renewable by the customer providing notice to TransCanada at least six months prior to the expiry of the current contract term. The Canadian Mainline 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 15 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 — Wholly-Owned Pipelines — Financial Review” and “Gas Transmission — Wholly-Owned Pipelines — Business Risks”.

Regulation of the Canadian Mainline

Under the terms of the *National Energy Board Act* (Canada), the 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 June 2002, the NEB denied TCPL's request to adopt 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 ("*Fair Return Decision*"). The NEB instead affirmed a formula established in 1995 for setting return on common equity. Under this formula, the rate of return on common equity for the Canadian Mainline was 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. In September 2002, TCPL filed a request for a review and variance of the Fair Return Decision which was denied by the NEB in February 2003. TCPL maintains that the Fair Return Decision issued in June 2002 does not recognize the long-term business risks of the Canadian Mainline and therefore, initiated an appeal of the NEB's decision not to review and vary the Fair Return Decision, to the Federal Court of Appeal. In May 2003, TCPL was granted leave to appeal. The appeal hearing was heard the week of February 16, 2004 and the Federal Court of Appeal's decision is expected to be rendered later in 2004.

In September 2002, TCPL filed an application with the NEB to approve new tolls on the Canadian Mainline to be effective January 1, 2003 and the related public hearings began in February 2003. In July 2003, the NEB issued its decision on this matter which approved all key components of the application including an increase in the composite depreciation rate from 2.89 per cent to 3.42 per cent, introduction of a new tolling zone in southwestern Ontario, an increase to the Interruptible Transportation bid floor price and continuation of the Fuel Gas Incentive Program. The rates approved in this decision are still considered interim pending the disposition of TCPL's appeal to the Federal Court of Appeal regarding the Fair Return Decision.

On December 18, 2003, the NEB approved interim rates effective January 1, 2004, which should remain in place until final 2004 tolls are determined.

On January 26, 2004, TCPL filed an application with the NEB to determine tolls applicable to the Canadian Mainline, effective January 1, 2004. In this application, TCPL has requested an 11 per cent return on deemed common equity of 40 per cent.

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 and is owned by TransCanada. TransCanada merged Foothills' operations with its own in February 2004. TransCanada previously held a 50 per cent interest in Foothills and in August 2003, acquired the remaining interest.

The Alaska Highway Pipeline Project, which would bring Prudhoe Bay natural gas from Alaska to markets in Canada and the United States, involves pipeline construction in Canada and Alaska. Foothills holds the certificates to build the Canadian portion of the Alaska highway pipeline project and subsidiaries of Foothills and TransCanada hold certificates to build the Alaskan part of this project.

TransCanada anticipates that it will spend approximately \$7 million on the Foothills System in 2004, which expenditures will primarily be for maintenance capital.

BC System

The BC System consists of approximately 200 kilometres of pipeline that carries natural gas from a connecting point with the Alberta System through the southeastern corner of British Columbia to connect with the GTNC pipeline system at the Canada-United States border near Kingsgate, British Columbia. The GTNC pipeline system connects to California and the northwestern United States. Further information can be found about the GTNC pipeline system under the heading "General Development of the Business — Recent Developments", above.

In 2003, capital expenditures on the BC System were approximately \$2 million, primarily for maintenance capital. TransCanada anticipates approximately \$2 million of capital spending on the BC System in 2004, primarily for maintenance capital.

The BC System is regulated by the NEB 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 certain issues with shippers on the BC System.

Other Gas Transmission

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

Great Lakes

TransCanada holds a 50 per cent interest in Great Lakes which operates a 3,387 kilometre pipeline system. This system transports Canadian natural gas from its interconnection with the Canadian Mainline at Emerson, Manitoba to markets in central Canada at St. Clair, Ontario and serves markets in the eastern and midwestern United States. Great Lakes' rates are based on a five year settlement agreement which was approved by the U.S. Federal Energy Regulatory Commission ("*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. In May 1999, TransCanada's 30 per cent general partner interest in Northern Border 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 common units and subordinated units, and two per cent of which is a general partnership interest. TC PipeLines, L.P. also issued common units to the public. Northern Border operates a 2,010 kilometre natural gas pipeline system which connects with the Foothills System in Saskatchewan and serves the midwestern United States, terminating at North Hayden, Indiana. In October 2001, Northern Border completed a 55 kilometre pipeline extension and installed additional compression that provides 545 MMcf/d of incremental transportation capacity to North Hayden, Indiana and expanded Northern Border's delivery capability into the Chicago area by approximately 30 per cent.

On September 1, 2000, TC PipeLines, L.P. acquired a 49 per cent general partner interest in Tuscarora from TransCanada, and TransCanada, through a subsidiary, retains a one per cent general partner interest in Tuscarora. Tuscarora is a 386 kilometre natural gas pipeline system which has been in operation since December 1995. This system transports natural gas from Malin, Oregon to Wadsworth, Nevada and delivers to points in northeastern California. The Hungry Valley lateral extension, Tuscarora's second city-gate connection into Reno, Nevada, was completed in January 2001. On December 1, 2002, Tuscarora completed construction and placed into service an expansion of its pipeline system, consisting of two compressor stations and a 17 kilometre pipeline extension from the previous terminus near Reno, Nevada to Wadsworth, Nevada. The expansion serves growing power generation and residential requirements in northern Nevada. Tuscarora's current contracted capacity is approximately 180 MMcf/d. In December 2003, Tuscarora received management approval for an expansion project which will provide for approximately 57 MMcf/d of incremental capacity on its system. The capital cost for this expansion project is estimated to be US\$16.6 million and the expansion is scheduled to commence service in November 2005.

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

Iroquois

Iroquois connects with the Canadian Mainline near Waddington, New York and delivers natural gas to customers in the northeastern United States (“*Iroquois System*”). TransCanada’s aggregate interest in the Iroquois System, through two subsidiaries, is 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 October 2003, FERC approved Iroquois’ rate settlement (“*Iroquois Settlement*”), which was filed in August 2003. The Iroquois Settlement is effective from January 1, 2004 until December 31, 2007, during which period Iroquois will reduce rates by approximately 13 per cent. Iroquois filed a separate rate application with FERC in January 2004 to establish rates for the Eastchester expansion. FERC has issued an order accepting Iroquois’ application and the approved rates will become effective July 1, 2004, subject to refund and conditions.

Trans Québec & Maritimes

TransCanada 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. In January 2003, TransCanada began performing the majority of operating and administrative functions of TQM pursuant to a services agreement. The TQM System is regulated by the NEB.

Portland

In September 2003, TransCanada purchased an additional 10.1 per cent ownership interest in Portland for approximately US\$19 million. In December 2003, TransCanada purchased a further 18.3 per cent interest for approximately US\$32 million. As a result of these two transactions, TransCanada currently holds a 61.7 per cent controlling interest in Portland.

Portland is a 471 kilometre interstate pipeline that interconnects with the pipeline system of TQM at the United States-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 and customer representatives reached an agreement on new tolls and Portland submitted an uncontested agreement to FERC in October 2002, which was approved in its entirety in January 2003. The settlement agreement is effective from April 1, 2002 until April 1, 2008.

Northern Development

In 2003, TransCanada continued to pursue pipeline opportunities to move both Mackenzie Delta and Alaska North Slope natural gas to markets throughout North America. TransCanada worked with key stakeholders in the interest of participating in any potential pipeline project.

TransCanada, the Mackenzie Producers and the APG reached funding and participation agreements in June 2003 that enable the APG to become a full participant in the largest component of the proposed Mackenzie Gas Pipeline Project which involves a natural gas pipeline system in the Mackenzie Valley that would move Mackenzie Delta natural gas through a natural gas pipeline being constructed from Inuvik, Northwest Territories to the northern border of Alberta, where it would then connect with the Alberta System. TransCanada has agreed to finance the APG for its one-third share of project definition costs. This share is currently estimated to be \$90 million over three years. This loan will be repaid from the APG’s share of future pipeline revenues if the project proceeds. In 2003, TransCanada funded \$34 million of this loan. Under the terms of the agreement, TransCanada gains an immediate opportunity to acquire up to five per cent equity ownership of the pipeline at the time of construction. In addition, TransCanada also gains certain rights of first refusal if any of the Mackenzie Producers choose to sell their equity. TransCanada would be entitled to acquire

50 per cent of any divestitures of existing partners and to obtain a one-third interest in all expansion opportunities once the APG reaches a one-third share, with the Mackenzie Producers and the APG sharing the balance.

TransCanada continued to work with other Alaska Highway pipeline stakeholders in 2003 to advance the project. Resolution of Foothills' Special Charge was reached with Foothills shippers and the Canadian Association of Petroleum Producers, and subsequently approved by the NEB in March 2003. The resolution waives Foothills' obligation to repay all past and future Special Charge collections when the Alaskan gas starts flowing on the Foothills System. In October 2003, the Government of Canada, reaffirmed its preference to utilize the framework provided in the *Northern Pipeline Act* (Canada) which granted Foothills the certificates to transport Alaskan gas across Canada.

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 that is expected to lead to a participation agreement for the Alaska Highway Pipeline Project.

Liquefied Natural Gas

In September 2003, TransCanada and ConocoPhillips announced the Fairwinds Partnership to jointly evaluate a site in Harpswell, Maine for the development of an LNG regasification facility. Approval must first be obtained for the Fairwinds Partnership to lease a town-owned site for the LNG regasification facility and the residents of the Town of Harpswell are expected to vote on this matter at a referendum which is to be held in March 2004.

Ventures LP

TransCanada Pipeline Ventures Limited Partnership ("*Ventures LP*"), which is a subsidiary of TransCanada, 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

TransCanada holds a 60 per cent interest in 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 TransCanada also holds a 60 per cent interest.

TransGas

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

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, Ventures LP's northern Alberta oil sands pipeline and Joffre pipeline are regulated by the EUB.

With respect to TransCanada's United States pipeline investments, the *Natural Gas Act of 1938* ("*NGA*") establishes the framework for regulation of interstate natural gas transportation, facilities construction and terms and conditions of service. FERC is charged with implementing the NGA's requirements. The terms and conditions of service under which TransCanada transports natural gas on the Great Lakes' system are subject to NGA authorizations issued by FERC. Interconnected natural gas pipelines and other United States interstate pipeline projects in which TransCanada has investments 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 headings “Gas Transmission — Wholly-Owned Pipelines” and “Gas Transmission — Other Gas Transmission” above and in the MD&A under the heading “Gas Transmission — Canadian Regulatory Environment”.

Competition in Gas Transmission

TransCanada’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 TransCanada’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 not expected to increase.

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 TransCanada with the ability to respond to potential future 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 — Wholly-Owned Pipelines — Business Risks” and “Gas Transmission — Other Gas Transmission — Business Risks”.

Research and Development

In 2003, TransCanada spent approximately \$9.3 million on research and development activities of which approximately \$3.5 million related to research on pipeline integrity management, approximately \$2.8 million on other regulated pipeline activities and approximately \$3.0 million on non-regulated pipeline ventures.

Power

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

TransCanada owns and operates:

- cogeneration plants in Alberta at Carseland (80 MW), Redwater (40 MW), Bear Creek (80 MW) and MacKay River (165 MW);
- a waste-heat fuelled power plant at the Cancarb facility in Medicine Hat, Alberta (27 MW);
- the Curtis Palmer hydroelectric power facility near Corinth, New York (60 MW); and
- the gas-fired, combined-cycle Ocean State Power plant in Burrillville, Rhode Island (560 MW).

TransCanada 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 Sundance B (353 MW of 706 MW) power facilities near Wabamun, Alberta.

TransCanada operates the following facilities owned by Power LP:

- five cogeneration power plants in Ontario and one wood-fired power plant in British Columbia (264 MW); and
- one cogeneration power plant in the United States (64 MW).

TransCanada owns, but does not operate:

- the simple-cycle ManChief power plant near Brush, Colorado (300 MW);
- a 31.6 per cent interest in the nuclear power generation facilities of Bruce Power in Ontario (1,472 MW of 4,660 MW total that is in operation and under commissioning); and
- a 17 per cent interest in Huron Wind L.P. (2 MW of a total of 9 MW).

TransCanada owns the following facilities which are under construction:

- the 550 MW cogeneration Bécancour plant, which is expected to be complete in late 2006; and
- the 90 MW cogeneration Grandview plant, which is expected to be complete by the end of 2004.

While a significant portion of TransCanada's western plant generation is sold under long-term contract, in order to mitigate price risk, some power positions are held for short-term transactions. The western power marketing group's primary function is to manage those open positions in order to maximize the value of TransCanada's power assets.

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

Output from the Curtis Palmer facilities is sold under a fixed-price, long-term power purchase agreement to Niagara Mohawk Power Corporation for a term of more than 25 years. In 2000, the Curtis Palmer facility was re-licensed by FERC to operate for a period of 40 years.

The entire capacity of the ManChief power plant is sold under long-term tolling contracts that expire in 2012. Operations and maintenance services for the ManChief power plant will continue to be supplied by the current contracted unaffiliated service provider.

Operations and maintenance services for the Bruce Power plants continue to be supplied by the pre-acquisition management and staff of Bruce Power. Bruce Power sells the output from the Bruce Power plants through a combination of fixed-price contracts and spot market sales.

TransCanada and OPG, through their limited partnership, Portlands Energy Centre L.P., continue to study the feasibility of developing a 550 MW combined-cycle natural gas-fuelled cogeneration power plant on a former power generation site in the Portlands area of the Toronto, Ontario downtown waterfront.

TransCanada continues to investigate potential power investment opportunities throughout North America.

TransCanada Power, L.P.

TransCanada manages, operates and is the largest unit holder of Power LP, a publicly-held limited partnership that owns seven power plants. TransCanada holds 35.6 per cent of the units of Power LP.

Power LP owns combined-cycle power plants, fuelled by a combination of natural gas and waste heat from adjacent TransCanada compression facilities, in Nipigon, Kapuskasing, North Bay and Tunis, Ontario. It also owns a natural gas cogeneration plant at Castleton-on-Hudson, New York and wood-waste fuelled power plants near Hearst, Ontario and at Williams Lake, British Columbia. TransCanada supplies the natural gas fuel for certain of Power LP's plants.

Power LP's seven plants have a total generating output of 328 MW. It is the largest publicly traded power limited partnership in Canada with a market capitalization of approximately \$1.4 billion.

Power Performance

The following tables set forth the revenues earned, power volumes marketed and generation capacity in Canada and the United States for the years ended December 31, 2003 and 2002 from TransCanada's power operations.

	2003		2002	
	Revenues (millions of dollars)	Per cent	Revenues (millions of dollars)	Per cent
<i>Revenues</i>				
Canada — Domestic	765	55	655	51
Canada — Export	2	—	—	—
United States	634	45	638	49
Total	<u>1,401</u>	<u>100</u>	<u>1,293</u>	<u>100</u>

	2003		2002	
	Volume (gigawatt hours)	Per cent	Volume (gigawatt hours)	Per cent
<i>Volumes Sold⁽¹⁾⁽²⁾⁽³⁾</i>				
Canada — Domestic	20,575	74	12,560	62
Canada — Export	38	—	10	—
United States	7,397	26	7,541	38
Total	<u>28,010</u>	<u>100</u>	<u>20,111</u>	<u>100</u>

	2003		2002	
	Generation (MW)	Per cent	Generation (MW)	Per cent
<i>Generation Capacity⁽¹⁾⁽²⁾⁽³⁾⁽⁴⁾</i>				
Canada	2,641	73	1,404	59
United States	984	27	984	41
Total	<u>3,625</u>	<u>100</u>	<u>2,388</u>	<u>100</u>

Notes:

- (1) Includes 100 per cent of volumes sold by, and the generation capacity of, Power LP (after eliminating intercompany transactions with TransCanada).
- (2) TransCanada, 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.
- (3) Includes 31.6 per cent of Bruce Power.
- (4) Excludes MacKay River (165 MW), Bécancour (550 MW), Grandview (90 MW) and Bruce A, Unit 3 (237 MW) which were not in commercial service at Year End.

Regulation of Power

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

Deregulation of the power industry is proceeding at different stages throughout most of the markets in which TransCanada currently operates, which are primarily Alberta, Ontario and the northeastern United States. In 2001, Alberta deregulated its generation assets and opened the market for retailers and wholesalers. In May 2002, the government of Ontario began the operation of 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 bid-based wholesale market, the government of Ontario put in place price caps at the retail level, effectively shielding eligible customers from the wholesale price volatility. In late 2003, after a change in government in Ontario, these retail caps were adjusted upwards to

be effective on April 1, 2004, to better reflect the real cost of electricity. These caps do not directly affect the wholesale market in which TransCanada is primarily focused through its interests in Ontario power generation assets. More recently, however, the government of Ontario has suggested it is considering further changes to the structure and operations of the Ontario electricity market and the legislation that governs it. It is possible that future legislative changes may have an impact on TransCanada's Ontario operations. In 1998 and 1999, respectively, the FERC began operations of competitive, bid-based wholesale power markets in New England and New York. In 2003, New England adopted a reformed wholesale market, in line with the FERC's long-term vision for a Standard Market Design.

Competition in Power

TransCanada's power business has operated and continues to operate in highly competitive markets that are driven mainly by price. However, the majority of TransCanada's power generation business, excluding Bruce Power, is underpinned by long-term or medium-term, fixed-price contracts that are unaffected by short-term price changes in the marketplace.

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

Other Interests

Cancarb Limited

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

TransCanada Turbines

TransCanada 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

TransCanada 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

Between 1999 and 2002, TransCanada continued to focus on natural gas transmission and power generation. During that time, TransCanada sold substantially all of its assets in international, midstream, and oil and gas marketing businesses that were identified for disposition. For further information about Discontinued Operations please refer to Note 17 of TransCanada's 2003 Audited Consolidated Financial Statements.

Gas Marketing and Trading

TransCanada's Board of Directors ("*Board*") approved a plan in July 2001 to dispose of TransCanada's gas marketing business and TransCanada's exit from gas marketing was substantially completed by December 31, 2001. TCPL remains contingently liable for certain residual obligations.

International

In December 1999, TransCanada announced its intention to exit from all of its international operations and during 2000 and 2001, sold the majority of its international businesses and assets. TransCanada's remaining material international investments are described in the following section and will be accounted for as part of

continuing operations as of Year End due to the length of time it has taken TransCanada to dispose of these assets:

TransCanada holds:

- a 30 per cent interest in Gasoducto del Pacifico (“*Gas Pacifico*”), a 540 kilometre natural gas pipeline from Argentina to Concepción, Chile;
- 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 transports gas on the Gas Pacifico system; and
- an indirect ten per cent net interest in PT Paiton Energy Company, which owns a power project consisting of two 615-megawatt coal-fired power units located in Indonesia.

Regulation in International

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

Competition in International

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

TransCanada’s international investments are subject to a number of risks unique to international business. Such risks are mitigated by insurance policies, participation of local and foreign partners, prudent commercial structuring and other measures.

For additional information about international business risks, please see “Risk Factors — International”, below.

Midstream

In 2000 and 2001, TransCanada sold substantially all of its portfolio of natural gas gathering, processing, straddle plant and extraction assets in western Canada.

In January of 2003, TransCanada sold its last remaining midstream asset, the Harmattan gas plant located near Didsbury, Alberta, thus concluding TransCanada’s involvement in midstream activities.

HEALTH, SAFETY AND ENVIRONMENT

TransCanada is committed to providing a safe and healthy environment for its employees and the public, and to the protection of the environment. Health, safety and environment (“*HS&E*”) is a priority in all of TransCanada’s operations. The HS&E Committee of the Board monitors compliance with the TransCanada HS&E corporate policy through regular reporting by TransCanada’s department of Community, Safety & Environment. TransCanada’s senior executives are also committed to ensuring TransCanada 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.

TransCanada has an HS&E management system modeled after ISO 14001 elements 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 TransCanada to work towards defined HS&E expectations and objectives, and provides a competitive business advantage. HS&E audits, management system assessments and planned inspections are used to assess both the effectiveness of implementation of HS&E programs, processes and procedures, and TransCanada’s compliance with regulatory requirements.

TransCanada 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 TransCanada to date; however there can be no assurance that such requirements will not have a material impact on TransCanada's financial or operating results in future years. Such requirements can be dependent on a variety of factors including the regulatory environment in which TransCanada operates.

Climate Change

Climate change is a strategic issue for TransCanada, particularly in light of the Canadian government's ratification of the Kyoto Protocol in December 2002. TransCanada has had a comprehensive climate change strategy in place since 1999, which includes five key areas of activity:

- Participation in policy forums;
- Direct emissions reduction programs;
- Long-term technology development;
- Emissions offset analysis; and
- Pursuit of business opportunities.

Activities in each of these areas occurred in 2003 and will continue in 2004.

TransCanada received a fifth consecutive gold level reporting status for its 2003 Voluntary Challenge and Registry ("VCR") report. To achieve gold level status, VCR reports are rated in several categories. Only 12 per cent of the submissions to the registry have received gold level reporting recognition.

The Kyoto Protocol, ratified by the Canadian Federal Government in December 2002, 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, TransCanada cannot predict the degree to which it will be affected.

PATENTS, LICENCES AND TRADEMARKS

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

LEGAL PROCEEDINGS

TransCanada is subject to various legal proceedings and actions arising in the normal course of business. For further information, refer to Note 16 of TransCanada's 2003 Audited Consolidated Financial Statements.

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.

TransCanada'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 TransCanada's costs and reduce its ability to transport natural gas or generate power.

Gas Transmission

The Canadian Mainline, the Alberta System, the BC System and the Foothills System transport natural gas from the WCSB. Continuing use of these systems is dependent on a number of factors including the level of exploration and development within the basin, the price of and demand for natural gas, the ability of natural gas

producers to deliver natural gas to the various pipeline systems, the development of northern natural gas reserves, and the regulatory environment for producers, transporters and consumers of natural gas.

Further information about competition risks in TransCanada's natural gas transmission business can be found under the heading "Business of TransCanada — Gas Transmission — Competition in Transmission" above and in the MD&A under the headings "Gas Transmission — Wholly-Owned Pipelines — Business Risks" and "Other Gas Transmission — Business Risks".

Power

TransCanada's power business and investments rely on feed stocks of natural gas, biomass, water, coal and uranium. Failure to obtain adequate supplies of feed stocks could affect TransCanada's ability to generate electricity and fulfill its supply obligations, and changes in prices of feed stocks could affect TransCanada's financial results. Although TransCanada takes appropriate actions to mitigate most of these risks, there can be no assurance that such actions will be adequate in all circumstances.

TransCanada does not operate the Bruce Power facility, the ManChief Power Plant or the assets underlying the Sundance A or Sundance B power purchase arrangements. Failure by the operators of these facilities to operate at the cost or in the manner projected by TransCanada could negatively affect TransCanada's financial position.

TransCanada does not own any of the power transmission lines over which its electricity is transmitted and delivered. Any disruption in transmission could affect TransCanada's ability to supply electricity and could have an adverse impact on TransCanada's financial results.

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

International

TransCanada'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 control, 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

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

TransCanada operates in Canada and the United States and as a result, its financial performance can be impacted by interest rates and foreign exchange rates. TransCanada 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.

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

TransCanada's growth is also dependent on access to capital markets in the United States and Canada. Although significant credit facilities are currently available, changing market conditions could result in a materially increased cost of capital which would reduce TransCanada's ability to pursue this growth.

Further information about TransCanada's risk factors and risk management can be found in the MD&A under the headings "Gas Transmission — Wholly-Owned Pipelines — Business Risks", "Gas Transmission — Other Gas Transmission — Business Risks", "Power — Power-Business Risks" and "Liquidity and Capital Resources — Risk Management".

FINANCIAL INFORMATION

Three Year Selected Consolidated Financial Information

Selected consolidated financial information for the years ended December 31, 2003, 2002 and 2001 is found in the MD&A under the heading "Selected Three Year Consolidated Financial Data".

For a discussion on the factors affecting the comparability of the financial data, including discontinued operations, refer to Notes 1 and 17 of TransCanada's 2003 Audited Consolidated Financial Statements.

Dividends

TransCanada has no formal dividend policy. The Board annually reviews the financial performance of TransCanada and makes a determination of the appropriate level of dividend to be declared in the following year. Currently, TransCanada's ability to declare and pay dividends on its common shares is dependent on TCPL's ability to declare dividends on its common shares which are all held by TransCanada. Provisions of various trust indentures and credit arrangements to which TCPL is a party, restrict TCPL's ability to declare and pay dividends on its common shares under certain circumstances and if such restrictions arise, they may have an impact on TransCanada's ability to declare and pay dividends. At Year End, such provisions did not restrict or alter TransCanada's ability to declare or pay dividends.

MARKET FOR SECURITIES

TransCanada's common shares are listed on the Toronto Stock Exchange and the New York Stock Exchange.

TCPL's Cumulative Redeemable First Preferred Shares, Series U and Series Y are listed on the Toronto Stock Exchange.

TCPL's 8.25% preferred securities due 2047, are listed on the New York Stock Exchange.

TCPL's 16.50% First Mortgage Pipe Line Bonds due 2007, are listed on the London Stock Exchange.

NGTL's 7.875% debentures due April 1, 2023, are listed on the New York Stock Exchange.

DIRECTORS AND OFFICERS

As of February 24, 2004, the directors and officers of TransCanada as a group beneficially owned, directly or indirectly, or exercised control or direction over, 611,057 common shares of TransCanada (and none of TCPL as all the common shares of TCPL were exchanged by common shareholders for common shares in TransCanada) and 29,340 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. TransCanada 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 February 24, 2004 ("*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 TransCanada's Board at Year End, together with their municipalities of residence, all positions and offices held by them with TransCanada and its significant affiliates, their principal occupations or employment during the past five years and the year from which each director has continually served as a director of TCPL and since the arrangement with both TransCanada and TCPL. Current positions and offices held with TransCanada are also held by such person at TCPL.

<u>Name</u>	<u>Principal Occupation During The Five Preceding Years</u>	<u>Director Since</u>
Douglas D. Baldwin, P. Eng. Calgary, Alberta	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	Professor, Rotman School of Management and Director, Institute for International Business, University of Toronto (education). Director, MDS Inc., The 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	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 Québécois des Hautes Études Internationales, Laval University.	2002
Richard F. Haskayne, O.C., F.C.A. Calgary, Alberta	Chairman of the Board, TransCanada and TCPL. Prior to February 19, 2003, Chairman, Fording Inc. (coal and wolastonite). Director, EnCana Corporation and Weyerhaeuser Company.	1998 (NOVA, 1991) ⁽¹⁾
Kerry L. Hawkins Winnipeg, Manitoba	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	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	Principal Occupation During The Five Preceding Years	Director Since
Harold N. Kvisle, P. Eng. Calgary, Alberta	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. Prior to September 1999, President, Fletcher Challenge Energy Canada Inc. (oil and gas). Director, Norske Skog Canada Limited, PrimeWest Energy Inc. and TransCanada Power, L.P. Chair, Interstate National Gas Association of America and Chair, Mount Royal College.	2001
David P. O'Brien ⁽²⁾ Calgary, Alberta	Chairman, EnCana Corporation (oil and gas) since April 2002. 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, Royal Bank of Canada, Fairmont Hotels & Resorts Inc., Inco Limited, Molson Inc., Profico Energy Management Ltd. and The E & P Limited Partnership.	2001
James R. Paul Kingwood, Texas	Chairman, James and Associates (private investment firm). Member of the Advisory Board, AMEC PLC.	1996
Harry G. Schaefer, F.C.A. Calgary, Alberta	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 and Chair, The Mount Royal College Foundation.	1987
W. Thomas Stephens Greenwood Village, Colorado	Corporate Director. Chief Executive Officer, MacMillan Bloedel Limited (forest products) from October 1997 to October 1999. Director, Xcel Energy Inc., Norske Skog Canada Limited, Qwest Communications International Inc. and The Putnam Funds.	1999
Joseph D. Thompson, P. Eng. Edmonton, Alberta	Chairman, PCL Construction Group Inc. (general construction contractors). Director, NOVA Chemicals Corporation.	1995

Notes:

- (1) NOVA Corporation merged with TCPL on July 2, 1998.
- (2) Mr. O'Brien was a director with 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.

TransCanada has four Board committees: the Audit Committee, the Governance Committee, the Health, Safety and Environment Committee and the Human Resources Committee. The members of each of these committees are identified below:

Audit Committee

Chair: H.G. Schaefer
 Members: P. Gauthier
 K.L. Hawkins
 S.B. Jackson
 J.R. Paul

Governance Committee

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

Health, Safety & Environment Committee

Chair: D.D. Baldwin
 Members: P. Gauthier
 S.B. Jackson
 W.T. Stephens
 J.D. Thompson

Human Resources Committee

Chair: K.L. Hawkins
 Members: W.K. Dobson
 D.P. O'Brien
 W.T. Stephens
 J.D. Thompson

Further information about TransCanada's Board committees and corporate governance can be found in the Proxy Circular under the heading "Compensation and Other Information — Corporate Governance".

Officers

All of the executive officers and corporate officers of TransCanada reside in Calgary, Alberta. 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 TransCanada are also held by such person at TCPL. As of February 24, 2004, the officers of TransCanada, their present positions within TransCanada and their principal occupations during the five preceding years are as follows:

Executive Officers

<u>Name</u>	<u>Present Position Held</u>	<u>Principal Occupation During the Five Preceding Years</u>
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. Prior to September 1999, President, Fletcher Challenge Energy Canada Inc. (oil and gas).
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. Prior to September 1999, Senior Vice-President, Law and Chief Compliance Officer.

<u>Name</u>	<u>Present Position Held</u>	<u>Principal Occupation During the Five Preceding Years</u>
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. Prior to August 1999, Vice-President, Finance.
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. Senior Vice-President, Human Resources, March 1999 to February 2000. President of S.E. Raiss Group, Inc. (organizational consulting) prior to March 1999.
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. Senior Vice-President, International, April 2000 to June 2000. President, International, August 1999 to April 2000 and Senior Vice-President, July 1998 to April 2000.
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. Prior to August 1999, Senior Vice-President, Project Development, TransCanada International Ltd.

Note:

- (1) Mr. Bellstedt, who serves as a trustee of Atlas Cold Storage Income Trust, is subject to an Ontario Securities Commission cease trade order issued in respect of all insiders of Atlas Cold Storage Income Trust.

Corporate Officers

<u>Name</u>	<u>Present Position Held</u>	<u>Principal Occupation During the Five Preceding Years</u>
Ronald L. Cook	Vice-President, Taxation	Prior to April 2002, Director, Taxation.
Rhondda E.S. Grant	Vice-President and Corporate Secretary	Prior to September 1999, Corporate Secretary and Associate General Counsel, Corporate.
Lee G. Hobbs	Vice-President and Controller	Director, Accounting, May 1999 to July 2001. Prior to May 1999, Chief Financial Officer, Snow Leopard Resources Inc. (oil and gas).
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. Vice-President, Risk Identification and Quantification, September 1999 to February 2000. Prior to September 1999, General Manager, Counterparty Risk.
Donald R. Marchand	Vice-President, Finance and Treasurer	Prior to September 1999, Director, Finance.

CORPORATE GOVERNANCE

The Board and members of TransCanada's management are committed to the highest standards of corporate governance. TransCanada is subject to a variety of corporate governance guidelines and requirements enacted by the Toronto Stock Exchange ("TSX"), the Canadian Securities Administrators ("CSA"), the New York Stock Exchange ("NYSE"), and by the U.S. Securities and Exchange Commission ("SEC") under the United States *Sarbanes-Oxley Act* of 2002. TransCanada's corporate governance practices comply with the TSX Company Corporate Governance Guidelines, governance rules of the NYSE applicable to foreign issuers and applicable requirements of the CSA and SEC. TransCanada is also in substantial early compliance with the CSA Multilateral Instrument 52-110 pertaining to audit committees that comes into force on March 30, 2004 and becomes applicable to TransCanada in 2005, and with proposed corporate governance guidelines released for comment by the CSA on January 16, 2004 which are expected to be in force in 2005. Full disclosure of TransCanada's corporate governance practices are set out in the Proxy Circular. The following corporate governance disclosure documents are attached to this AIF for reference:

Schedule "B" — Corporate Governance Guidelines

Schedule "C" — Code of Business Ethics for Employees

Schedule "D" — Code of Business Ethics for Directors

Schedule "E" — Code of Business Ethics for the President & Chief Executive Officer, Chief Financial Officer and Controller

Schedule "F" — Charter of the Audit Committee

Schedule "G" — Charter of the Governance Committee

Schedule "H" — Charter of the Health, Safety & Environment Committee

Schedule "I" — Charter of the Human Resources Committee

ADDITIONAL INFORMATION

1. Additional information including compensation of directors and officers, indebtedness of directors and officers, principal holders of TransCanada's securities, options to purchase securities and interests of insiders in material transactions (all where applicable), is contained in the Proxy Circular, which can be obtained upon request from the Corporate Secretary of TransCanada.
2. Additional financial information is provided in TransCanada's 2003 Audited Consolidated Financial Statements, contained in the Annual Report.
3. TransCanada will provide to any person or company upon request to the Corporate Secretary of TransCanada:
 - (a) when the securities of TransCanada are in the course of a distribution under a preliminary short form prospectus or a short form prospectus:
 - (i) one copy of TransCanada's latest Annual Information Form, together with one copy of any document, or the pertinent pages of any document, incorporated by reference in the Annual Information Form;
 - (ii) one copy of the comparative financial statements of TransCanada for TransCanada's most recently completed financial year for which financial statements have been filed, together with the accompanying report of the auditor and one copy of the most recent interim financial statements of TransCanada that have been filed, if any, for any period after the end of its most recently completed financial year;
 - (iii) one copy of the information circular of TransCanada in respect of its most recent annual meeting of shareholders of TransCanada that involved the election of directors or one copy of any annual filing prepared instead of that information circular, as appropriate; and
 - (iv) one copy of any other documents incorporated by reference into the preliminary short form prospectus or the short form prospectus and are not required to be provided under (i), (ii) or (iii) above; or
 - (b) at any other time, one copy of any other document referred to in paragraphs (3)(a)(i), (ii) and (iii) above, provided that TransCanada may require the payment of a reasonable charge from if the request is made by a person or company who is not a security holder of TransCanada.
4. Additional information, including director's and officer's remuneration and indebtedness, principal holders of TransCanada's securities, options to purchase securities and interests of insiders in material transactions, if applicable, is contained in TransCanada's management proxy circular for its most recent annual meeting of shareholders that involved the election of directors, and additional information is provided in TransCanada's comparative financial statements for its most recently completed financial year.

SCHEDULE "A"

Exchange Rate of the Canadian Dollar

All dollar amounts are in Canadian dollars, except where otherwise indicated. The following table shows the high and low spot rates, the 90 day average noon rates and the year-end noon spot rates for the United States dollar for the past five years, each expressed in Canadian dollars, as reported by the Bank of Canada.

	As at December 31				
	2003	2002	2001	2000*	1999
High	1.2970	1.5801	1.5975	1.5035	1.4551
Low	1.2839	1.5768	1.5899	1.4946	1.4420
90 Day Average Noon Rate	1.2975	1.5853	1.5934	1.4976	1.4402
Year-End Noon	1.2924	1.5796	1.5926	1.5002	1.4433

* Exchange rates for 2000 are as at December 29, 2000.

On February 24, 2004, the noon rate for the United States dollar as reported by the Bank of Canada was US \$1.00 = Cdn. \$1.3280.

Metric Conversion Table

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

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

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

SCHEDULE “B”

TransCanada Corporation

CORPORATE GOVERNANCE GUIDELINES

February 2004

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TRANSCANADA CORPORATION
(the “Company”)
CORPORATE GOVERNANCE GUIDELINES

A. Introduction

The board of directors of the Company and its management are committed to maintaining a high standard of corporate governance. This commitment includes adherence to the definition of corporate governance included in the 1994 Toronto Stock Exchange Committee Report on Corporate Governance in Canada. The report defined corporate governance as meaning “the process and structure used to direct and manage the business and affairs of a company with the objective of enhancing shareholder value, which includes ensuring the financial viability of the business. The process and structure define the division of power and establish mechanisms for achieving accountability among shareholders, the board of directors and management. The direction and management of the business should take into account the impact on other stakeholders such as employees, customers, suppliers and communities”.

The Company is subject to a variety of corporate governance guidelines and requirements enacted by the Toronto Stock Exchange (“TSX”), the Canadian Securities Administrators (“CSA”), the New York Stock Exchange (“NYSE”) and by the U.S. Securities and Exchange Commission (“SEC”) under its rules and those mandated by the United States Sarbanes-Oxley Act of 2002 (“SOX”). The Company’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 the SEC. The Company is also in substantial compliance with the CSA’s Multilateral Instrument pertaining to audit committees that comes into force on March 30, 2004 and is applicable in 2005, and with the proposed corporate governance guidelines released for comment by the CSA on January 16, 2004 and which are expected to be in force in 2005.

The board has the responsibility for the overall stewardship of the Company, establishing the overall policies and standards for the Company in the operation of its businesses, and reviewing and approving the strategic plans. In addition, the board monitors and assesses overall performance and progress in meeting the Company’s goals. Day to day management is the responsibility of the president and chief executive officer and senior management. To this end, the board has adopted the following guidelines to assist it in its corporate governance responsibilities.

B. Board Organization and Membership

1. *Chair of the Board*

The board has currently determined to separate the positions of chairman of the board (“chair”) and president and chief executive officer.

2. *Non-Executive Chair*

The board has determined the chair of the Company shall serve in a non-executive capacity and shall be appointed by the board based on the recommendations of the Governance Committee, the committee of the board that has been delegated the responsibility to assess candidates for the position.

3. *Lead Director Concept*

The board has adopted a policy that it have an independent director assume the responsibility of chairing scheduled meetings of outside directors or other responsibilities which the outside directors as a whole might designate from time to time. This will be the Chairman, if an outside director, or the chair of the Governance Committee, if not.

4. *Board Size*

Although the maximum number of directors permitted by TransCanada’s Articles is 20, the board has determined that it is in the best interests of the Company to maintain a smaller board, in the range of

12 to 14. It is the board's belief that this range is currently sufficient to provide a diversity of expertise and opinions and allow effective committee organization, yet small enough for efficient meetings and decision-making.

The Governance Committee is mandated to review the size of the board from time to time and recommend changes in size to the board when appropriate. The board has the ability to increase or decrease its size within limits defined by Articles of the Company.

5. *Inside and Outside Directors*

The board believes that, as a matter of policy, there should be a majority of outside, unrelated and independent directors on the Company's board. To this end, the board has determined the number of officers or senior managers of the Company or its subsidiaries who may serve as directors at any one time shall be limited to a maximum of three.

On matters of corporate governance, decisions will be made by the unrelated directors.

6. *"Independence" of Outside Directors*

The Governance Committee undertakes an annual review to determine the existence of any relationships with the Company and to ensure the majority of directors are independent and unrelated to the Company, that all Committee members are independent and, where any relationships exist, the director is acting appropriately. The board annually determines the independent and unrelated status of each director, based on the Governance Committee's recommendations.

7. *Primary Employment Status Change*

The board has adopted a policy that requires any director whose primary employment status changes to notify the chair of the Governance Committee. A director in such circumstances is also deemed to have submitted his or her resignation from the Board. The Governance Committee shall in turn advise the board and provide recommendations on the member's continued service to the Company as a director. It is not intended that directors who retire or whose professional positions change should necessarily leave the board. The Governance Committee has the responsibility to assess the continued appropriateness of board membership under such circumstances.

8. *Officers' Board Membership*

The board has determined that management members of the board shall not automatically stand for re-election after retirement or resignation from the Company. Any former officer of the Company serving on the board will be considered to be an inside director for purposes of corporate governance until such time as the applicable regulatory cooling off periods have been met and the outside directors determine that sufficient distance has been established from the officer's former executive duties to make the officer independent and unrelated to the Company.

9. *Criteria for Board Membership*

The Governance Committee reviews each year the general and specific criteria applicable to candidates to be considered for nomination to the board. The objective of this review is to maintain the composition of the board in a way that provides the best mix of skills and experience to guide the long-term strategy and ongoing business operations of the Company. This review takes into account the desirability of maintaining a reasonable diversity of backgrounds, skills and experience and personal characteristics such as age, gender, geographic residence, etc. among the directors along with the key common qualities required for effective board participation.

10. *Selection of New Director Candidates*

The board is responsible for identifying suitable candidates to be recommended for election to the board by the shareholders. The Governance Committee has the responsibility for assessing potential nominees, screening their qualifications against the current skill and experience requirements of the board and making recommendations in this regard to the board. Directors are encouraged to identify potential candidates. The chair and president and chief executive officer are consulted and have input

into the process. An invitation to stand as a nominee for election to the board will normally be made to a candidate by the board through the chair or the chair's delegate.

11. ***New Director Orientation***

New directors are provided with an orientation and education program that includes written information about the duties and obligations of directors, the business and operations of the Company, documents from recent board meetings, and opportunities for meetings and discussion with senior management and other directors. The details of the orientation of each new director are tailored to that director's individual needs and areas of interest.

12. ***Fixed Terms for Membership on the Board***

The board does not believe it should establish a fixed term for membership on the board. While fixed terms could help ensure that there are fresh ideas and views available to the board, they have the disadvantage of losing the contribution of directors who have developed, over a period of time, increased insight into the Company and its operations and who, therefore, can be expected to provide an increasing contribution to the board as a whole.

13. ***Retirement Age***

The board reviews the mandatory retirement age for directors from time to time. The board has currently determined that no person shall stand for election or re-election to the board if he or she attains the age of 70 years on or before the date of the annual meeting called in relation to the election of directors.

14. ***Board Compensation***

The Governance Committee reviews the compensation of directors on an annual basis, taking into account such matters as time commitment, responsibility and compensation provided by comparative companies. The Committee makes recommendations to the board for consideration when it believes changes in compensation are warranted.

15. ***Share Ownership by Directors***

The board has determined that ownership of the Company's shares by directors is a positive step in helping directors align their interests with those of the shareholders. The board has adopted a policy guideline requiring directors to hold at least five times the value of their annual board retainer in common shares of the Company. Such holdings can be acquired over a period of five years and can take the form of actual share ownership or by holding the equivalent number of units in the Directors' Deferred Share Unit Plan.

C. Board Meetings and Materials

1. ***Board Meeting Agendas***

The chair and the president and chief executive officer establish the agenda for each board meeting. Any board member may suggest the inclusion of items on the agenda in advance of the meeting.

2. ***Meeting Materials Distributed in Advance***

The board has determined that information and data that are important to the board's understanding of business issues be distributed to the board before each board meeting in sufficient time to ensure adequate opportunity exists for members' review. Management makes every attempt to make this material as concise as possible while still providing the desired information and focusing attention on critical issues to be considered by the board.

3. *Presentations*

As a general rule and when appropriate, presentation materials are sent to the board members in advance. Time is allocated at all board meetings to ensure that members' questions about the material can be answered.

4. *Non-Directors at Board Meetings*

The board appreciates the value of the regular attendance at each board meeting of non-board members who are members of the Company's senior management.

Attendance by senior management is determined by the president and chief executive officer with the concurrence of the chair.

Management attendees are excused for any agenda items that are reserved for discussion among directors only.

5. *Outside Directors*

Directors who are not members of management meet at the end of each board meeting *in-camera* to discuss matters of interest independent of management.

D. **Committee Organization and Meetings**

1. *Board Committees*

Each committee operates according to board-approved terms of reference. The committees are: (1) the Audit Committee; (2) the Governance Committee; (3) the Health, Safety and Environmental Committee; and (4) the Human Resources Committee.

2. *Outside, Unrelated and Independent Directors*

The board believes that, as a matter of policy, each of the Committees should be composed entirely of independent and unrelated directors. The applicable requirements are addressed in the charters of each Committee.

3. *Assignment and Rotation of Committee Members*

The Governance Committee is responsible for recommending to the board the assignment of board members to various committees in consultation with the chair, the president and chief executive officer, and taking into account the wishes of individual board members.

The board favours the periodic rotation of committee members and committee chairs. Such rotation, when recommended, will be made in a way that recognizes and balances the need for renewal of ideas, continuity, and the utilization of each director's particular expertise.

4. *Committee Meetings*

Committee chairs, in consultation with committee members, determine the frequency (consistent with the committee's terms of reference) and length of the meetings of the committees. Each committee reports to the board on the results of each meeting.

5. *Committee Agendas*

The chair of each committee, in consultation with the appropriate members of management, develops the committee's agendas. The chair of each committee ensures that the committee meets sufficiently often to discharge its delegated responsibilities.

E. **Board and Management Responsibilities**

1. *Board Relationship with Management*

The board supports and encourages the members of the Company's management in the performance of their duties and individual outside directors are encouraged to provide their counsel as needed.

Management makes appropriate use of the board's skills before decisions are brought forward on key issues.

Board members have complete access to management for relevant information. It is understood that board members will be prudent and be sure that this contact is not distracting to the business operation of the Company and that such contact, if in writing, be copied to the president and chief executive officer and the chair.

The board encourages senior management to bring managers into board meetings from time to time to provide additional insight into the items being discussed. Such managers are expected to be those with growth potential who would benefit from their exposure to the board.

2. *Corporate Strategy*

The board believes that management is responsible for development of corporate strategy. It is the role of the board to review, question, validate and approve material changes in the strategies of the Company.

3. *Limits to Management Authority*

The board establishes general authority guidelines that places limits on management's approval authority depending on the nature and size of the proposed transaction. These limits anticipate that some flexibility exists within approved budgets but otherwise must not be exceeded without prior board or appropriate committee approval.

4. *Formal Evaluation of the President and Chief Executive Officer*

The Human Resources Committee conducts an annual review of the performance of the president and chief executive officer as measured against objectives established mutually in the prior year by the Human Resources Committee and the president and chief executive officer. The results of this annual review is communicated to the board's unrelated directors who then make an evaluation of the overall performance of the president and chief executive officer. This performance evaluation is communicated to the president and chief executive officer by the chair and the chair of the Human Resources Committee. The evaluation is used by the Human Resources Committee in its deliberations concerning the president and chief executive officer's annual compensation.

5. *Succession Planning and Management Development*

The board believes that succession planning and management development are key to the ongoing process that contributes substantially to the success of the Company. The president and chief executive officer provides a detailed annual report to the Human Resources Committee and a summary presentation to the board. The president and chief executive officer makes available to the Human Resources Committee his recommendation as to a successor in the event of the unexpected incapacity of the president and chief executive officer.

6. *Principal Risks*

The board is responsible for understanding the principal risks associated with the Company's business on an ongoing basis and it is the responsibility of management to assure that the board and its committees are kept well informed of these changing risks on a timely basis. It is important that the board understand and support the key risk decisions of management, which includes comprehending the appropriate balance between risks and rewards.

7. *Internal Controls and Management Information Systems*

Fundamental to the discharge of the board's overall responsibilities is the existence of control systems that can in part ensure the effective discharge of these responsibilities. A balance has to be achieved between controls related to financial or other matters that give the board reasonable assurances that its responsibilities are discharged and, at the same time, avoiding the creation of an unnecessarily bureaucratic and costly system of control mechanisms. The confidence of the board in the ability and integrity of management is the paramount control mechanism.

The board has delegated to the Audit Committee the responsibility for the oversight of internal control procedures, to determine their effectiveness, and to monitor compliance with the Company's policies and codes of business ethics. The Audit Committee reports on these matters to the board.

The Audit Committee requires management to implement and maintain appropriate systems of internal controls and meets with the Company's external auditors and its director of internal audit in executive sessions, and with management, on at least a quarterly basis to oversee the effectiveness of these systems.

8. *Board Communications Policy*

The board, or the appropriate committee thereof, reviews the content of the Company's major communications to shareholders and the investing public, including the quarterly and annual reports, and approves the proxy circular, the annual information form and any prospectuses that may be issued. The board believes that it is the function of management to speak for the Company in its communications with the investment community, the media, customers, suppliers, employees, governments and the general public. It is understood that the chair or other individual directors may from time to time be requested by management to assist with such communications. If communications from stakeholders are made to the chair or to other individual directors, management is informed and consulted to determine any appropriate response.

9. *Outside Advisors for Individual Directors*

Occasionally individual directors may need the services of an advisor or expert to assist on matters involving their responsibilities as board members. The board has determined that any director who wishes to engage an outside advisor at the expense of the Company may do so.

10. *Assessing the Performance of the Board, Committees and Individual Directors*

The Governance Committee reports to the board annually on the evaluation of the performance of the board, each of its committees, and that of individual directors, based on the results of the directors' annual self-assessment questionnaire. In addition, formal interviews are undertaken annually by the chair, based on the results of the questionnaire and the Company's Individual Director Terms of Reference, with each member of the board and with each member of the executive leadership of the Company. The performance of the chair is annually evaluated against his terms of reference by the chair of the Governance Committee by means of formal interviews with each of the directors.

SCHEDULE “C”

CODE OF BUSINESS ETHICS FOR EMPLOYEES

Personnel (includes all regular full, part-time and temporary employees) of TransCanada and its subsidiaries and affiliates (the “Company”) represent the Company and are expected to act in a manner that will enhance the Company’s reputation for honesty, integrity and reliability. Our Code of Business Ethics (the “COBE”) is a statement on TransCanada’s Business Practices and on how we do business. The COBE applies to all personnel of TransCanada. When you have a question about ethics or compliance, please refer to this policy.

The COBE will not give you an answer for every situation. If after reviewing it you have questions, please seek additional guidance. If you have any doubt about the right thing to do, ask your supervisor, manager, or Human Resources, Law or Internal Audit Departments. You can also call our anonymous Ethics Help-Line at 1-888-920-2042.

The following Fundamental Principles of appropriate business conduct have been established for all personnel working for or representing the Company. They are applicable in all countries in which the Company operates, unless the laws of those countries require a higher standard.

FUNDAMENTAL PRINCIPLES

A. Compliance with Laws

The Company will conduct its business in compliance with all laws, regulations and other legal requirements applicable wherever the Company is carrying on business. No personnel shall directly or indirectly give, offer or agree to give or offer a loan, reward, advantage or benefit of any kind to a foreign public official or to any person for the benefit of a foreign public official in contravention of the *Corruption of Foreign Public Officials Act*.

B. Conflict of Interest

Personnel must ensure that no conflict exists between their personal interests and those of the Company. Personnel should also avoid placing themselves in positions that may be perceived as conflicts. Some examples of possible conflicts include:

- **Financial Interest** — Personnel and their families (families including spouse, children or spouse equivalent residing together) shall not own, control or direct a material financial interest (greater than 5%) in a supplier, contractor, competitor, or in any business enterprise which does or seeks to do business with the Company.
- **Outside Business Activities** — Personnel shall not engage in any outside business or activity that is detrimental to the Company. Unless approved by the Company or your supervisor, personnel are expected to spend their full time and attention performing their jobs during normal business hours or as contracted.
- **Outside Directorships** — Personnel shall not serve as a director, officer, partner, consultant or any other role in unaffiliated profit-making organizations if that activity is detrimental to the Company. Directorships in unaffiliated entities require the consent of the personnel’s immediate supervisor or contract manager, and of the Governance Committee of the Board of Directors in the case of an ELT member.
- **Gifts and Entertainment** — Personnel must be prudent in offering or accepting gifts (including tickets to sporting, recreational or other events) to or from a person or entity with which the Company does or seeks to do business.
- **Customer and Supplier Relations** — All customers, suppliers and independent contractors purchasing or furnishing goods and services must be dealt with fairly. Decisions to hire a subcontractor or source materials from a particular vendor must be made on the basis of objective criteria such as quality, reliability, technical excellence, price, delivery, service and maintenance of adequate sources of supply.

- **Government and Community Relations** — The Company’s financial support to political organizations requires the express approval of the Chief Executive Officer of the Company. Personnel engaging in personal political activities must do so in their own right and not on behalf of the Company. Corporate donations to charities made on behalf of the Company shall be within budgets approved by the appropriate business unit head.
- **Personal Relationships** — Personnel shall avoid any arrangement or circumstance, including personal relationships that may compromise his or her ability to act in the best interest of the Company. Personnel shall not supervise directly or be in a position to influence the career of someone with whom he or she is engaged in a personal relationship.

C. Confidential Information

In the course of employment, personnel may have access to information that is non-public, confidential, privileged, or of value to competitors of the Company or that may be damaging to the Company if improperly disclosed. Personnel may also have access to the confidential information of companies with which the Company does business.

Personnel must protect the confidentiality of information concerning the Company and its business activities as well as that of companies having business dealings with the Company. Personnel who leave the Company have an ongoing obligation to keep such information confidential.

Some situations involving confidential information include:

- **Technical, Business and Commercial Data** — Personnel must ensure against improper disclosure of competitive business strategies and plans, special methods of operation, technical innovations, and other information that may be of value to competitors of the Company.
- **Insider Trading** — Securities laws explicitly prohibit any person in a special relationship with the Company from trading with knowledge of “material non-public information” or “insider information” which has not been generally disclosed. In addition, securities laws prohibit any person in a special relationship with the Company from informing another person of any “material non-public” or “insider” information which has not been generally disclosed.

Employees of TransCanada, and their immediate family members, will not trade in their personal account in any physical commodity or financial derivative of any physical or financial commodity related to those traded by the Company if that employee holds a position at TransCanada that would make them privy to detailed or inside information about the Company’s commodity trading activities.

- **Trading Guidelines for All Personnel** — Those possessing confidential information are expected to show integrity and use proper judgement in timing their investments in accordance with Company policy and regulatory rules and guidelines.
- **Media/Public Discussion** — If responding to questions by a representative of the news media or investment community is not part of personnel’s regular duties, the media representative must be referred to the appropriate Company spokesperson.

D. Fiscal Integrity and Responsibility

All personnel are responsible for protecting Company assets, and leaders are specifically responsible for establishing and maintaining appropriate internal controls to safeguard Company assets against loss from unauthorised or improper use or disposition:

- **Reporting Integrity** — No false, artificial or misleading entries in the books, records and documents of the Company shall be made for any reason and no personnel shall engage in any arrangement that results in such prohibited acts. All periodic reports filed by TransCanada shall be in accordance with TransCanada’s Public Disclosure Policy and will include full, fair, accurate, timely and understandable disclosure.

- **Use of Company Resources** — Company resources include Company time, materials, supplies, equipment, information, electronic mail and computer systems. These resources are generally only to be used for Company-specific purposes.
- **Use of Internet and Email** — TransCanada’s computer networks and information resources include our electronic mail and messaging systems, internal Intranet and the public Internet. TransCanada’s computer resources and networks are provided for company-related business purposes. Excessive personal use is inappropriate. Use of TransCanada’s computer resources to view, retrieve or send sexually-related or pornographic messages or material; violent or hate-related messages or material; bigoted, racist or other offensive messages or other messages or material related to illegal activities is strictly prohibited.
- **Use of Company Name** — Personnel must not use their employment status to obtain personal gain from those doing or seeking to do business with the Company. Personnel may not use the Company’s name or purchasing power to obtain personal discounts or rebates unless the discounts are made available to all personnel.
- **Patents and Inventions** — Inventions, discoveries, and copyright material, made or developed by personnel in the course of, and relating to, their employment with the Company, are the property of the Company unless a written release is obtained or covered by contract.
- **Records Retention** — Business documents and records (voice, paper and electronic) are to be retained in accordance with the law and the Company’s record retention policies.

In protecting the Company’s resources, TransCanada reserves the right to periodically monitor access and contents of the Company’s computer systems and networks. Personnel should not assume they have any right to privacy of electronic data residing on the Company’s computer resources.

E. Health, Safety and Environment

TransCanada is committed to providing a safe and healthy working environment and protecting the public interest with standards and programs that meet or exceed industry standards and applicable government codes, standards and regulations in all jurisdictions in which it does business.

All TransCanada operations are to be conducted in a manner that protects the health and safety of our personnel and all people in the communities where the Company operates. All TransCanada personnel are responsible for supporting TransCanada’s commitment to environmental responsibility.

F. Employment Practices

TransCanada is committed to a workplace environment where personnel are treated with dignity, fairness and respect. All personnel have the right to work in an atmosphere that provides equal employment opportunities and is free of discriminatory practices and illegal harassment:

- **Discrimination** — Neither TransCanada nor any person acting on behalf of the Company shall refuse to employ or continue to employ, nor shall they discriminate against any person with regard to employment, term or condition of employment, based on race, national or ethnic origin, colour, religion, age, sex (including pregnancy or child-birth) sexual orientation, marital status, family status, disability and conviction for which a pardon has been granted, all as defined by the Canadian Human Rights Act.
- **Harassment** — Any form of illegal harassment or any other conduct that interferes with an individual’s work performance or creates an intimidating, hostile, or offensive work environment will not be tolerated.
- **Drug and Alcohol Policy** — The Company is committed to providing a safe and healthy work environment. The use of illicit drugs, the inappropriate use of alcohol and the misuse of medications and other substances is prohibited.

COMPLIANCE / EXCEPTIONS

Personnel are expected to comply with all aspects of the COBE and to support others in doing so. In the event that personnel violate the COBE, Company policies and procedures or any of the laws that govern the Company's business, TransCanada will take immediate and appropriate action up to and including termination of employment, claims for reimbursement of losses or damages and reference to criminal authorities.

HOW TO RAISE A CONCERN

Personnel are obligated to promptly report any problems or concerns or any potential or actual violation of the COBE. The first action should be to raise the problem with your supervisor. If that is not possible for some reason or if taking it to your supervisor does not resolve the matter, it is your responsibility to take it up the chain of management within your organization or another department such as Human Resources, Legal or Internal Audit. Personnel can also call the anonymous Ethics Help-Line at 1-888-920-2042. Callers do not have to reveal their identities.

TransCanada policy strictly prohibits reprisals or retaliation against anyone who files an ethics concern or complaint. If you feel you have been subjected to retaliatory or disciplinary action because you have raised an ethics issue, call the Ethics HelpLine immediately.

CERTIFICATION

It is essential that all personnel understand and adhere to the Company's Code of Business Ethics.

New personnel of the Company will be asked to certify their review of, and agreement to be bound by, the COBE as a consideration of employment or contract.

All personnel of the Company will be asked to certify annually their review of and compliance with the provisions contained in the Code of Business Ethics.

SCHEDULE “D”

CODE OF BUSINESS ETHICS FOR DIRECTORS

Directors have a duty to manage or supervise the management of, the business and affairs of the Company. In carrying out this duty the Company expects directors to act honestly and in good faith with a view to the best interests of the Company. To this end the Board of Directors has committed itself to maintaining a high standard of Corporate Governance which incorporates as its basis principles of good conduct and high ethical behavior.

To discharge their duties the Directors have adopted the following principles for business conduct and ethical behavior.

Compliance with Law

The Directors shall conduct all their business and affairs in full compliance with applicable laws, rules and regulations and shall encourage and promote such behaviors for themselves, officers and employees.

Conflicts of Interest

Directors shall conduct their business and affairs in a manner that ensures their private or personal interests do not interfere or appear to interfere, with the interests of the Company including conflicts relative to personal, financial or other gain. Should conflicts arise, or be perceived to arise, directors shall immediately make full disclosure in an appropriate manner and the disclosing Director shall not participate in any decision or action in which there is a real or apparent conflict.

Fair Dealing

The Company adheres to a policy of Fair Dealing in all its undertakings. Directors shall endeavor to deal fairly with the Company’s customers, suppliers, competitors and employees. Taking unfair advantage through manipulation, concealment, abuse of privilege, misrepresentation and other unfair dealing practices is unacceptable.

Confidentiality

Directors shall maintain the confidentiality of information entrusted to them except in circumstances where disclosure is authorized or legally mandated. Confidential information shall not be used for personal gain and Directors shall adhere to the Company’s policy on Trading by Employees and Insiders.

Protection and Proper Use of Company Assets

Directors shall ensure that the Company’s assets are protected and properly and efficiently used for legitimate business purposes.

Corporate Opportunities

Directors owe duty to advance the Company’s legitimate interests whenever an opportunity arises and are prohibited from:

- (a) Taking personal advantage of opportunities discovered through the use of corporate assets, property, information or their position;
- (b) Using or deploying corporate assets, property, information or their position for personal gain; and
- (c) Competing with the Company.

Incident Reporting

Directors are encouraged to promote ethical behavior in all things they do and to ensure a healthy ethical workplace. The Company, through the principles and standards adhered to by Directors, encourages officers and leaders to talk with employees about ethical behaviors and to provide guidance on their ethical concerns

including advising employees on appropriate actions to be taken or behaviors to be followed. Violations of laws, rules, regulations or this Code of Business Conduct are to be reported to the appropriate officer or leader or to the ethics hot line.

The Directors on behalf of the Company will not allow any retaliation by officers or leaders in respect of reports made in good faith by any employee.

Waivers

Directors and executive officers whose conduct or actions has failed to meet or whose future conduct or actions may not meet the principles and standards set out in this Code of Business Conduct must report such failure or anticipated failure immediately to the Board of Directors. Such report shall contain a request for a waiver of such conduct and be filed with the Chairman of the Governance Committee for review and recommendation by that Committee. The Governance Committee shall examine the circumstances related to the failure or requested waiver for anticipated failure and make an appropriate recommendation to the Board of Directors. Any determination of the Board of Directors that noncompliance with the Code of Business Conduct has occurred or that, under the circumstances, a waiver be granted to a Director or executive officer shall be reported promptly to the shareholders.

Annual Review

Annually, the Company expects each Director to review this Code of Business Conduct and Ethics and to satisfy themselves that they have adhered to the stated principles and standards or if they have failed to do so to ensure such non-compliance has been reported to the Board of Directors.

SCHEDULE “E”

**CODE OF BUSINESS ETHICS FOR THE PRESIDENT AND CHIEF EXECUTIVE OFFICER,
CHIEF FINANCIAL OFFICER AND CONTROLLER**

The Company and its shareholders expect honest and ethical conduct in all aspects of the Company’s business from all employees and to that end require that all employees comply with the Company’s Code of Business Ethics. In addition, with respect to the Company’s principal and senior financial officers, the Company and its shareholders expect the highest possible standards of honest and ethical conduct and require such officers to acknowledge this heightened expectation.

I, [NAME] certify that as [the Chief Executive Officer/Chief Financial Officer/Controller] of TransCanada Corporation (the “Company”) I adhere to and advocate the establishment of standards reasonably necessary to deter wrongdoing and to promote:

1. Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;
2. Full, fair, accurate, timely and understandable disclosure in reports and documents that the Company files with, or submits to, securities regulators and in other public communications made by the Company;
3. Compliance with laws, rules and regulations of federal, provincial, state and local governments, and other appropriate private and public regulatory agencies; and
4. Compliance with the prompt reporting to the Chair of the Company’s audit committee all violations of this code.

I, [NAME] acknowledge my accountability for adherence to this code. I also acknowledge that my compliance with this code is a condition of my employment and that if I fail to comply with this code or applicable laws, rules or regulations, I may be subject to disciplinary measures, up to and including discharge from the Company. The Company will disclose any change or waiver of this code in its disclosure documents and a form of this code shall be posted on the Company’s website.

Signature

SCHEDULE “F”

CHARTER OF THE AUDIT COMMITTEE

PART I

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 nine 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. Reviews and Reports

The Committee shall review its terms of reference annually or otherwise, as it deems appropriate, and if necessary propose changes to the Governance Committee and the Board. The Committee shall make regular reports to the Board. The Committee shall annually review the Committee's own performance.

14. Outside Experts

The Committee, and on behalf of the Committee, the Committee Chair, is authorized when deemed necessary or desirable to retain independent counsel 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

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.

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.

SCHEDULE “G”
CHARTER OF THE GOVERNANCE COMMITTEE

PART I
ESTABLISHMENT OF COMMITTEE AND PROCEDURES

1. Committee

A Committee of the Directors to be known as the “Governance Committee” is established.

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 shall be unrelated and independent as determined by the Board.

3. Appointment of Committee Members

Members of the Committee shall be appointed at the meeting of the Directors immediately following the annual meeting of Shareholders, and shall hold office until the next annual meeting, or until their successors are appointed, or until they cease to be Directors of the Company. It is desirable that membership on the Committee be rotated such that as many different Directors as possible have an opportunity at some time to serve on the Committee.

4. Vacancies

Where a vacancy occurs at any time in the membership of the Committee, it may be filled by the Board and shall be filled by the Board if the membership of the Committee is less than three Directors.

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 may call a meeting of the Committee. The Committee shall meet at least semi-annually. Although the Chair of the Board and the Company’s President and Chief Executive Officer may attend all meetings of the Committee, the Committee will also meet 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 permits 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; and 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 Officers or Employees of the Company 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 but not later than the next meeting of the Board.

13. Review of Terms of Reference

The Committee shall evaluate on an annual basis its performance and review its Charter and shall as it deems appropriate propose any changes to the Board for approval.

PART II

MANDATE OF COMMITTEE

14. General Mandate

The Committee's mandate is to enhance the Company's corporate governance through a continuing assessment of The Company's approach to corporate governance and to make policy recommendations with respect thereto.

In addition, the Committee is mandated with identifying qualified individuals to become board members and to recommend to the Board the director nominees for appointment at the next annual meeting.

15. Specific Mandates

I. The Committee shall:

- (a) review from time to time the size, composition and profile of the Board of Directors including a review of the criteria for selecting new directors;
- (b) review and report to the Board annually on its assessment of the performance of the Board and the Committees of the Board, and the basis of that evaluation;
- (c) review annually the performance and contribution of individual Board members, including an evaluation of the competencies and skills the Board as a whole should possess;
- (d) identify individuals qualified to become members of the Board and to recommend to the Board for selection the director nominees for election at the annual meeting of shareholders, or to be appointed to fill any vacancies;
- (e) be authorized when deemed necessary or desirable to engage and compensate any outside advisor as it determines necessary to permit it to carry out its duties;
- (f) review from time to time the retirement age of the Directors;
- (g) review and recommend to the Board of Directors candidates for the office of Chairman of the Board;

- (h) conduct an annual review of Directors' compensation for Board and Committee service taking into account such criteria as time commitment, compensation provided by comparative companies, responsibilities, and recommend any change for Board approval; and
 - (i) make recommendations relative to the composition of the various Committees of the Board.
- II. The Committee shall develop the policies and procedures of the Board of Directors regarding corporate governance issues, including:
- (a) on an annual basis, recommend and bring forward to the Board a general list of corporate governance issues for review, discussion or action by the Board or a Committee thereof;
 - (b) review the Company's structures and procedures to ensure that the Board of Directors is able to and in fact is, functioning independently of management;
 - (c) assess the effectiveness of the Board as a whole and recommend steps which may be taken to improve effectiveness;
 - (d) assess the availability, relevance and timeliness of information required by the Board;
 - (e) monitor the quality of the relationship between management and the Board and recommend improvements as deemed necessary or desirable;
 - (f) ensure that any issues of corporate governance identified by any directors are raised to management;
 - (g) review any surveys completed by directors dealing with the effectiveness of the operation of the Board; and
 - (h) undertake such other initiatives as are needed to help deliver preeminent corporate governance.

SCHEDULE “H”
CHARTER OF THE HEALTH, SAFETY AND ENVIRONMENT COMMITTEE

PART I
ESTABLISHMENT OF COMMITTEE AND PROCEDURES

1. Committee

A Committee of the Directors to be known as the “Health, Safety and Environment Committee” is hereby established.

2. Composition of Committee

The Committee shall consist of not less than five and not more than eight Directors, a majority of whom are resident Canadians (as defined in the Canada Business Corporations Act), none of whom is either an officer or employee of the Company or any of its subsidiaries and a majority of whom are persons not affiliated with the Company.

3. Appointment of Committee Members

Members of the Committee shall be appointed at the meeting of the Directors immediately following the annual meeting of Shareholders, and shall hold office until the next annual meeting, or until their successors are appointed, or until they cease to be Directors of the Company. It is desirable that membership on the Committee be rotated such that as many different Directors as possible have an opportunity at some time to serve on the Committee.

4. Vacancies

Where a vacancy occurs at any time in the membership of the Committee, it may be filled by the Board and shall be filled by the Board if the membership of the Committee is less than five Directors.

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 external auditors may call a meeting of the Committee. The Committee shall meet at least three times per year.

9. Quorum

Three 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; and 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 Officers of the Company at Meeting

At the invitation of the Chair of the Committee, one or more officers 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 Terms of Reference

The Committee shall review its terms of reference annually or otherwise as it deems appropriate and propose recommended changes to the Governance Committee and to the Board.

PART II

MANDATE OF COMMITTEE

14. Specific Mandates

I. The Committee shall:

- (a) monitor on a regular basis the existing health, safety and environmental practices and procedures of the Company and its controlled subsidiaries for compliance with applicable legislation, conformity with industry standards and prevention or mitigation of losses;
- (b) consider whether the Company's policies relating to health, safety and environmental matters are being effectively implemented;
- (c) review and consider reports and recommendations issued by the Company or by an external party relating to health, safety or environmental issues, together with management's response thereto;
- (d) advise and make recommendations to the Board of Directors as appropriate on matters relating to health, safety and the environment;
- (e) review and report, as appropriate, to the Board of Directors on the Company's policies and procedures relating to health, safety and the environment and, if appropriate, make recommendations to the Board of Directors;
- (f) ensure the internal auditor has access to the Chairmen of the Committee and the Board and to the Chief Executive Officer; and
- (g) meet separately with the Vice-President, Health, Safety and Environment and report to the Board on such meetings.

SCHEDULE “I”
CHARTER OF THE HUMAN RESOURCES COMMITTEE

PART I
ESTABLISHMENT OF COMMITTEE AND PROCEDURES

1. Committee

A Committee of the Directors to be known as the “Human Resources Committee” is hereby established.

2. Composition of Committee

The Committee shall consist of not less than four and not more than seven Directors, at least twenty-five percent of whom must be resident Canadians and all of whom must be outside, non-management and unrelated directors.

3. Appointment of Committee Members

Members of the Committee shall be appointed at the meeting of the Directors immediately following the annual meeting of Shareholders, and shall hold office until the next annual meeting, or until their successors are appointed, or until they cease to be Directors of the Company unless otherwise removed by a majority vote of the Board of Directors (Board).

4. Vacancies

Where a vacancy occurs at any time in the membership of the Committee, it may be filled by the Board and shall be filled by the Board if the membership of the Committee is less than four Directors.

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 may call a meeting of the Committee. The Committee shall meet at least semi-annually.

9. Quorum

A majority 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; and 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 Officers of the Company 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 in any event not later than the next meeting of the Board.

13. Review of Terms of Reference and Evaluation of Committee

The Committee shall conduct an annual review of its performance and shall in line with this review, review its terms of reference and recommend, if required, any changes for implementation to the Governance Committee and to the Board.

14. Outside Experts

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

PART II

SPECIFIC MANDATES OF COMMITTEE

15. The Committee shall:

- (a) review with the President and Chief Executive Officer existing management resources and plans, including recruitment and training programs, for ensuring that qualified personnel will be available for succession to executive officer positions in the Company and key officer positions in its major subsidiaries, and report on this matter to the Board at least once each year.
- (b) review and recommend to the Board goals and objectives relevant to the President and Chief Executive Officer's compensation and will conduct an annual review and assessment of the performance against these objectives of the President and Chief Executive Officer, and review annually the performance of the senior executive officers of the Company and key officers in its major subsidiaries.
- (c) consider, with the President and Chief Executive Officer, proposed changes in organization or personnel affecting the officers' group and recommend for approval any change requiring Board action.
- (d) approve and review with the President and Chief Executive Officer the Company's overall compensation philosophy and plans in relation to the Company's business strategy.
- (e) consider and approve the salary and other remuneration, including termination packages, to be awarded to each senior executive officer of the Company and key officers of its major subsidiaries and report to the Board on the remuneration package for the Chairman, the President and Chief Executive Officer, and the executive officers.
- (f) consider and approve changes in the Company's compensation and benefit plans involving an annual change in cost to the Company in excess of \$3 million.
- (g) consider and approve any changes in the Company's pension plans having to do with benefits after consultation with the Audit and Risk Management Committee in respect of any effect such a change may have on pension financial matters; appoint members to the Company's Pension Committee, and report thereon to the Board.

- (h) administer the Stock Option Plan and the Performance Unit Plan (PUP) (collectively referred to as the “Plans”) including the following:
 - (i) consider and approve the designation of employees who are to participate in the Plans and consider and approve the granting of options and Units related thereto under the Plans to the participating employees;
 - (ii) consider and approve the price at which options may be granted under the Stock Option Plan to the participating employees;
 - (iii) consider and recommend to the Board any requirement for shares to be set aside under the Stock Option Plan from the authorized and unissued shares of the Company;
 - (iv) subject to the provisions of the Plans, consider and approve any amendments to the Plans as may be deemed necessary or advisable for the granting of options related thereto under the Stock Option Plan or the issue of units under PUP, and for the proper administration and operation of the Plans;
 - (v) consider and recommend to the Board any amendments to the Plans or discontinuance or substitution thereof; and
 - (vi) consider and approve any amendments to any agreements under the Plans for any participating employees.
- (i) administer the Restricted Share Unit Plan (RSU) and the Executive Share Unit Plan (ESU) (collectively referred to as the “Unit Plans”) including, as legally necessary, the following:
 - (i) determine the performance hurdles to be achieved under the Unit Plans and where applicable to amend such performance hurdles;
 - (ii) consider and approve the designation of employees who are to participate in each of the Unit Plans and consider and approve the granting of Units related thereto under the Unit Plans to the respective participating employees;
 - (iii) consider and approve the value of the shares with respect to which units may be granted under the Unit Plans to the respective participating employees;
 - (iv) to take whatever steps are necessary to ensure the proper administration and operation of the Unit Plans including but not limited to the application of discretion where required;
 - (v) review performance against the performance hurdles for the Unit Plans, and determine and provide direction for pay out of units granted under the Unit Plans;
 - (vi) subject to the provisions of the Unit Plans, consider and approve any significant amendments to the Unit Plans as may be deemed necessary or advisable for the granting of units related thereto under the Unit Plans, and for the proper administration and operation of the Unit Plans;
 - (vii) consider and recommend to the Board any significant amendments to the Unit Plans or discontinuance or substitution thereof; and
 - (viii) consider and approve any significant amendments to any agreements under the Unit Plans for any participating employees.
- (j) review and approve the annual report on executive compensation for inclusion in the Company’s public disclosure documents; and
- (k) discharge any other responsibilities allocated to the Committee by the Board.