TRANSCANADA PIPELINES LIMITED

ANNUAL INFORMATION FORM

February 23, 2009

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PRESENTATION OF INFORMATION

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

Unless otherwise noted, the information contained in this AIF is given at or for the year ended December 31, 2008 ("*Year End*"). Amounts are expressed in Canadian dollars unless otherwise indicated. Financial information is presented in accordance with Canadian generally accepted accounting principles.

Certain portions of TCPL's Management's Discussion and Analysis dated February 23, 2009 ("*MD&A*") are incorporated by reference into this AIF as stated below. The MD&A can be found on SEDAR at www.sedar.com under TCPL's profile.

The Accounting Standards Board ("*AcSB*") of the Canadian Institute of Chartered Accountants has announced that Canadian publicly accountable enterprises are required to adopt International Financial Reporting Standards ("*IFRS*"), as issued by the International Accounting Standards Board, effective January 1, 2011. In June 2008, the Canadian Securities Administrators proposed that Canadian public companies that are United States Securities and Exchange Commission ("*SEC*") registrants, such as TCPL, could retain the option to prepare their financial statements under generally accepted accounting principles in the United States ("*US GAAP*") instead of IFRS. In November 2008, the SEC issued for public comment a recommendation that, beginning in 2014, United States issuers be required to adopt IFRS using a phased-in approach based on market capitalization. TCPL is currently considering the impact a conversion to IFRS or US GAAP would have on its accounting systems and financial statements. For more information on TCPL's conversion project, see TCPL's MD&A under "Accounting Changes – International Financial Reporting Standards".

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

FORWARD-LOOKING INFORMATION

This AIF, the documents incorporated by reference into this AIF, and other reports and filings made with the securities regulatory authorities may contain certain information that is forward-looking and is subject to important risks and uncertainties. The words "anticipate", "expect", "believe", "may", "should", "estimate", "project", "outlook", "forecast" or other similar words are used to identify such forward looking information. Forward-looking statements in this document are intended to provide TCPL shareholders and potential investors with information regarding TCPL and its subsidiaries, including management's assessment of TCPL's and its subsidiaries' future financial and operational plans and outlook. Forward-looking statements in this document may include, among others, statements regarding the anticipated business prospects and financial performance of TCPL and its subsidiaries, expectations or projections about the future, strategies and goals for growth and expansion, expected and future cash flows, costs, schedules, operating and financial results and expected impact of future commitments and contingent liabilities**.** All forward-looking statements reflect TCPL's beliefs and assumptions based on information available at the time the statements were made. Actual results or events may differ from those predicted in these forward-looking statements. Factors that could cause actual results or events to differ materially from current expectations include, among others, the ability of TCPL to successfully implement its strategic initiatives and whether such strategic initiatives will yield the expected benefits, the operating performance of the Company's pipeline and energy assets, the availability and price of energy commodities, regulatory processes and decisions, changes in environmental and other laws and regulations, competitive factors in the pipeline and energy sectors, construction and completion of capital projects, labour, equipment and material costs, access to capital markets, interest and currency exchange rates, technological developments and the current economic conditions in North America. By its nature, forward-looking information is subject to various risks and uncertainties, including those material risks discussed in this AIF under "Risk Factors", which could cause TCPL's actual results and experience to differ materially from the anticipated results or expectations expressed. Additional information on these and other factors is available in the reports filed by TCPL with Canadian securities regulators and with the SEC. Readers are cautioned to not place undue reliance on this forward-looking information, which is given as of the date it is expressed in this AIF or otherwise, and to not use future-oriented information or financial outlooks for anything other than their intended purpose. TCPL undertakes no obligation to update publicly or revise any forward-looking information, whether as a result of new information, future events or otherwise, except as required by law.

TRANSCANADA PIPELINES LIMITED

Corporate Structure

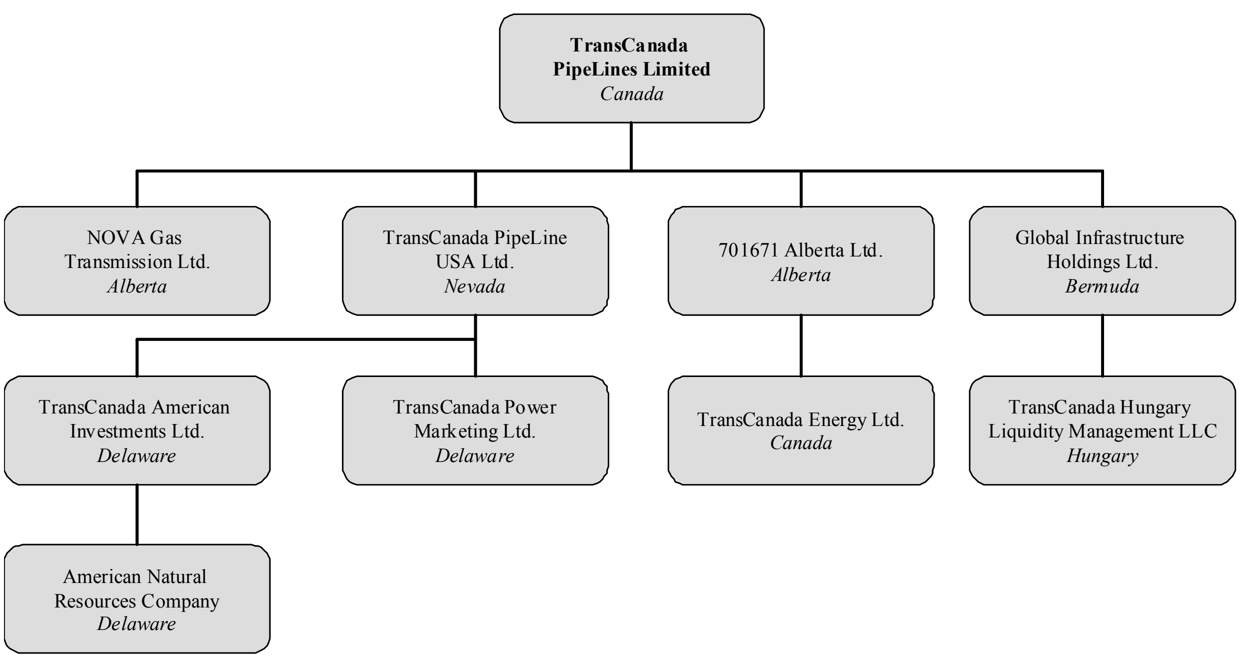
TCPL's head office and registered office are located at 450 - 1st Street S.W., Calgary, Alberta, T2P 5H1.

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

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

Intercorporate Relationships

The following diagram presents the name and jurisdiction of incorporation, continuance or formation of TCPL's principal subsidiaries as at December 31, 2008. Each of these subsidiaries has total assets that exceeded 10% of the total consolidated assets of TransCanada or revenues that exceeded 10% of the total consolidated revenues of TransCanada as at and for the year ended December 31, 2008. TCPL owns, directly or indirectly, 100 per cent of the voting shares of each of these subsidiaries.



The above diagram does not include all of the subsidiaries of TCPL. The assets and revenues of excluded subsidiaries in the aggregate did not exceed 20% of the total consolidated assets or total consolidated revenues of TCPL as at and for the year ended December 31, 2008.

GENERAL DEVELOPMENT OF THE BUSINESS

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

Effective June 1, 2006, TCPL revised the composition and names of its reportable business segments to *Pipelines* and *Energy*. Pipelines are principally comprised of the Company's pipelines in Canada, the U.S. and Mexico and its regulated natural gas storage operations in the U.S. Energy includes the Company's power operations, the non-regulated natural gas storage business, and liquefied natural gas ("*LNG*") projects.

Developments in the Pipelines Business

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

2008

Pipeline Developments

- January 4 2008. The State of Alaska announced that TCPL had submitted a complete *Alaska Gasline Inducement Act* ("*AGIA*") application for a license to construct the Alaska Pipeline Project and would be advancing to the public comment stage.
- February 2008. In 2005, certain subsidiaries of Calpine Corporation ("*Calpine*") filed for bankruptcy protection in both Canada and the U.S. The Portland Natural Gas Transmission System (the "*Portland System*") and GTNC reached agreement with Calpine for allowed unsecured claims in the Calpine bankruptcy of US$125 million and US$192.5 million, respectively. Creditors were to receive shares in the re-organized Calpine and these shares would be subject to market price fluctuations as the new Calpine shares began to trade. In February 2008, the Portland System and GTNC received partial distributions of 6.1 million shares and 9.4 million shares, respectively. Subsequently, these shareholdings were sold into the market. Claims of Nova Gas Transmission Limited ("*NGTL*") and Foothills Pipe Lines (South B.C.) Ltd., both wholly-owned subsidiaries of TransCanada, for $31.6 million and $44.4 million, respectively, were received in cash in January 2008 and were passed on to shippers on these systems.
- March 14, 2008. TransCanada Keystone Pipeline, LP ("*Keystone U.S.*") received a Presidential Permit authorizing the construction, maintenance and operation of facilities at the United States and Canada border for the transportation of crude oil between the two countries. The Presidential Permit was a significant regulatory approval required to begin construction of the 3,456 kilometre ("*km*") pipeline project that will transport crude oil from Alberta to markets in the United States (the "*Keystone Oil Pipeline*"). The Presidential Permit was issued following the issuance by the U.S. Department of State of the Final Environmental Impact Statement ("*FEIS*") on January 11, 2008 for the construction of the Keystone U.S. pipeline and its Cushing extension. The FEIS stated the pipeline would result in limited adverse environmental impacts. Construction of the Keystone Oil Pipeline began in May 2008 in both Canada and the United States. Commissioning of the segment to Wood River and Patoka is expected to commence in late 2009 with commercial operations to follow in early 2010. Commissioning of the segment providing service to Cushing is expected to commence in late 2010.
- April 2008. An expansion to TCPL's natural gas transmission system in the province of Alberta (the "*Alberta System*") in the Fort McMurray area, comprising a total of approximately 150 km, was placed in service on its projected on-stream date.
- July 16, 2008. TCPL announced plans to expand and extend the Keystone Oil Pipeline system and provide additional capacity in 2012 of 500,000 barrels per day ("*Bbl/d*") from Western Canada to the United States Gulf Coast, near existing terminals in Port Arthur, Texas. The expansion, when completed, is expected to increase the Keystone Oil Pipeline system from 590,000 Bbl/d to approximately 1.1 million Bbl/d. Construction of the expansion facilities is expected to commence in 2010 subject to the receipt of the necessary regulatory approvals.

- September 3, 2008. TCPL acquired Bison Pipeline LLC from Northern Border Pipeline Company ("*NBPL*") for US$20 million. The assets of Bison Pipeline LLC included executed precedent agreements as well as regulatory, environmental and engineering work on the Bison Pipeline Project ("*Bison*"), a proposed 480 km (298 mile) pipeline from the Powder River Basin in Wyoming to the Northern Border Pipeline system in Morton County, North Dakota.

- September 8, 2008. TCPL reached a proposed agreement with Canadian Utilities Limited ("*ATCO Pipelines*") to provide integrated natural gas transmission service to customers. If approved by the regulatory authorities, the two companies will combine physical assets under a single rates and services structure with a single commercial interface with customers but with each company separately managing assets within distinct operating territories in the province. TCPL continues to work with all stakeholders to finalize this agreement.

- October 29, 2008. TCPL announced that the Keystone Oil Pipeline system successfully conducted that open season for expansion and extension to the United States Gulf Coast by securing additional firm, long-term contracts totaling 380,000 Bbl/d for an average term of approximately 17 years. With these shipper commitments the Keystone Oil Pipeline system has long-term commitments for 910,000 Bbl/d for an average term of approximately 18 years. This includes commitments made by shippers to sign transportation service agreements for 35,000 Bbl/d capacity in an open season to be held in 2009. The commitments represent approximately 83 per cent of the 1.1 million Bbl/d commercial design of the system.

- December 5, 2008. The Alaska Commissioner of Revenue and Natural Resources issued the AGIA license to TCPL to advance the Alaska Pipeline Project, following on the approval by the Alaska Senate on August 1, 2008 of TCPL's application for the license. TCPL has committed under the AGIA to advance the Alaska Pipeline Project through an open season and subsequent United States Federal Energy Regulatory Commission ("*FERC*") certification. TCPL has commenced the engineering, environmental, field and commercial work, and expects to conclude an open season by July 31, 2010. Under AGIA, the State of Alaska has agreed to reimburse a share of the eligible pre-construction costs to TCPL to a maximum of US$500 million.

- TCPL agreed to increase its equity ownership in Keystone U.S. and TransCanada Keystone Pipeline Limited Partnership ("*Keystone Canada*") up to 79.99 per cent from 50 per cent with ConocoPhillips' equity ownership being reduced concurrently to 20.01 per cent.

- TCPL continued funding of the Mackenzie Valley Aboriginal Pipeline Limited Partnership for its participation in the Mackenzie Gas Pipeline Project, a proposed 1,200 km (746 mile) natural gas pipeline to be constructed from a point near Inuvik, Northwest Territories to the northern border of Alberta, where it is expected to connect to the Alberta System.

Regulatory Matters

- January 2008. Gas Transmission Northwest Corporation ("*GTNC*"), a wholly-owned subsidiary of TransCanada, filed a Stipulation and Agreement with the FERC on October 31, 2007 comprised of an uncontested settlement of all aspects of its 2006 General Rate Case. On January 7, 2008, the FERC issued an order approving the settlement. The settlement rates were effective retroactive to January 1, 2007.

- March 18, 2008. TCPL filed an application with the National Energy Board ("*NEB*") to increase the interim tolls on its Canadian gas pipeline system (the "*Canadian Mainline*") previously approved in December 2007. This toll increase was a result of a significant decrease in forecasted flows on the Canadian Mainline and was intended to allow TCPL to more accurately meet its 2008 revenue requirement. On March 28, 2008, the NEB approved the amended interim tolls for transportation service effective April 1, 2008.

- June 17, 2008. TCPL filed an application with the NEB to establish federal regulation for TCPL's Alberta System. The application for a certificate of public convenience and necessity and related approvals was made to recognize that TCPL's Alberta System was subject to Canadian federal jurisdiction and its operations to regulation by the NEB. An oral hearing to discuss this matter began on November 18, 2008 and concluded on November 28, 2008. A decision on the matter is expected to be issued by the end of February 2009. Currently, the provincial regulation of the Alberta System precludes TCPL from acquiring, constructing or operating facilities that transport natural gas across Alberta provincial borders. Federal regulation would enable the Alberta System to extend across provincial borders, thereby providing integrated service to Alberta and British Columbia customers, and northern natural gas producers.

- June, 2008. The NEB approved TCPL's application for additional pumping facilities required to expand the Canadian portion of the Keystone Oil Pipeline project from a nominal capacity of approximately 435,000 Bbl/d to

590,000 Bbl/d to accommodate volumes to be delivered to the Cushing markets, after holding an oral hearing on April 8, 2008. The hearing and decision followed on an application filed by Keystone Canada with the NEB in November 2007.

- October 10, 2008. The Alberta Utilities Commission ("*AUC*") approved TCPL's application for a permit to construct the North Central Corridor expansion, at a cost of approximately $925 million. The expansion comprises a 42-inch, 300 km (186 mile) natural gas pipeline and associated compression facilities on the northern section of the Alberta System. Construction on the project began in October 2008. The decision followed on a non-routine application filed with the Alberta Energy and Utilities Board ("*EUB*") on November 20, 2007.
- December 17, 2008. The AUC approved NGTL's 2008-2009 Revenue Requirement Settlement Application as filed, in its entirety. As part of the settlement, fixed costs were established for operation, maintenance and administration costs, return on equity and income taxes. Any variances between actual costs and those agreed to in the settlement accrue to TCPL, subject to a return on equity and income tax adjustment mechanism, which accounts for variances between actual and settlement rate base and income tax assumptions. The other cost elements of the settlement are treated on a flow-through basis. The AUC also approved the 2008 Interim Rates of NGTL on a final basis for the period January 1, 2008 to December 31, 2008.

Further information about these developments can be found in the MD&A under the headings "TCPL's Strategy", "Pipelines – Highlights", and "Pipelines – Opportunities and Developments".

2007

Pipeline Developments

- February 9, 2007. TCPL received approval from the NEB to transfer a section of its Canadian Mainline transmission facilities to the Keystone Oil Pipeline project to transport crude oil from Alberta to refining centres in the U.S. Midwest and to construct and operate new oil pipeline facilities in Canada. TCPL announced in January 2007 the start of a binding open season for an expansion and extension of the proposed Keystone Oil Pipeline. The purpose of the open season was to obtain binding commitments to support the expansion of the proposed Keystone Oil Pipeline from approximately 435,000 Bbl/d to 590,000 Bbl/d and the construction of a 468 kilometre extension of the U.S. portion of the pipeline.
- February 22, 2007. TCPL closed its acquisitions of American Natural Resources Company and ANR Storage Company (collectively, "*ANR*") and acquired an additional 3.6 per cent interest in Great Lakes Gas Transmission Partnership ("*Great Lakes*") from El Paso Corporation for a total of US$3.4 billion, subject to certain post-closing adjustments, including approximately US$491 million of assumed long-term debt. Additionally, TCPL increased its ownership in TC PipeLines, LP to 32.1 per cent in conjunction with the TC PipeLines, LP acquisition of a 46.4 per cent interest in Great Lakes. TCPL subsequently became the operator of NBPL and now operates all three TC PipeLines, LP investments. The acquisition was financed partly through an offering of 39,470,000 subscription receipts at $38.00 per subscription receipt, which resulted in gross proceeds to TCPL of approximately $1.725 billion including the exercise of an over-allotment option granted to the underwriters. Upon closing of the acquisition of ANR, the subscription receipts were automatically exchanged, without the payment of any additional consideration by the subscribers, on a one-to-one basis for common shares of TransCanada ("*Common Shares*").
- December 2007. ConocoPhillips contributed $207 million to acquire a 50 per cent ownership interest in the Keystone Oil Pipeline. Affiliates of TCPL will be responsible for constructing and operating the Keystone Oil Pipeline.

Regulatory Matters

- February 2007. TCPL received approval from the NEB to integrate its natural gas pipeline system in southern British Columbia with its natural gas pipeline systems in southern Alberta and southwestern Saskatchewan (collectively, the "*Foothills System*") effective April 1, 2007.
- May 2007. TCPL's five-year settlement with interested stakeholders for the years 2007 to 2011 on its Canadian Mainline was approved by the NEB. The settlement reflects, among other things, a deemed common equity ratio of 40 per cent.

2006

Pipeline Developments

- April 2006. TC PipeLines, LP, an affiliate of TCPL, acquired an additional 20 per cent general partnership interest in NBPL for approximately US$307 million which brought its total general partnership interest in NBPL owned by TC Pipelines, LP to 50 per cent. TC PipeLines, LP also indirectly assumed approximately US$122 million of the debt of NBPL. TCPL is the parent company of TC PipeLines GP, Inc., the general partner of TC PipeLines, LP.
- April 2006. TCPL sold its 17.5 per cent general partner interest in Northern Border Partners, L.P. for proceeds of $35 million, net of current taxes.
- December 2006. The 130 km Tamazunchale natural gas pipeline in east-central Mexico went into commercial service.
- December 2006. TC PipeLines, LP acquired an additional 49 per cent ownership interest in Tuscarora Gas Transmission Company ("*Tuscarora*"). TCPL became the operator of Tuscarora.

Regulatory Matters

- February 2006. TCPL filed an application with the FERC for a certificate for a two-phase expansion of its existing natural gas pipeline in southern California, the North Baja system ("*North Baja*") and the construction of a new lateral pipeline in California's Imperial Valley.
- April 2006. The NEB approved a negotiated settlement of the 2006 Canadian Mainline tolls which included an increase in the deemed common equity ratio to 36 per cent from 33 per cent and incentives for managing costs through fixing certain components of the revenue requirement.
- June 2006. TCPL filed an application with the NEB seeking approval to transfer a portion of TCPL's Canadian Mainline natural gas transmission facilities to the Keystone Oil Pipeline project which was approved by the NEB in February 2007. Additionally, in December 2006, TCPL filed an application with the NEB for approval to construct and operate the Canadian portion of the Keystone Oil Pipeline.

Developments in the Energy Business

TCPL has built a substantial energy business over the past decade and has achieved a significant presence in power generation in selected regions of Canada and U.S. More recently, TCPL has also developed a significant non-regulated natural gas storage business in Alberta. Summarized below are significant developments that have occurred in TCPL's energy business over the last three years.

2009

- February 19, 2009. The FERC approved two separate applications filed by TransCanada on December 19, 2008 requesting approval to charge negotiated rates and to proceed with an open season in the spring of 2009 for each of the Zephyr ("*Zephyr*") and Chinook ("*Chinook*") transmission line projects. Both projects are proposed 500 kilovolt high voltage direct current transmission projects. Zephyr is a proposed 1,760 km (1,100 mile) transmission line that would originate in Wyoming, and Chinook is a proposed 1,600 km (1,000 mile) project that would originate in Montana. Both projects would terminate in Nevada, and it is anticipated that each would deliver 3,000 MW of primarily wind generation resources to markets in the southwestern United States. Pending successful completion of the open seasons, regulatory work could commence later in 2009.

2008

Energy Developments

- January 2008. A milestone in the Bruce Power A L.P. ("*Bruce A*") Units 1 and 2 refurbishment and restart project was completed when the sixteenth and final new steam generator was installed. With the completion of this stage of the project, the authorized funding for Units 1 and 2 was increased from $2.75 billion to approximately $3.0 billion. This process was expected to result in a further increase in the total project cost to complete the Unit 1 and 2 restart. Project cost increases are subject to the capital cost-risk and reward-sharing mechanism under the agreement with the Ontario Power Authority. Bruce A Units 1 and 2 are expected to produce an additional 1,500 megawatts ("*MW*") when completed in 2010.

- February 2008. The potential anchor LNG supplier for the Cacouna LNG project ("*Cacouna*") terminal in Québec announced it would no longer be pursuing the development of its LNG supply as originally planned. Although Cacouna received its primary regulatory approvals, project development has been suspended until alternate LNG supply is acquired and the North American market for LNG grows.

- April 2008. The comprehensive review of costs to complete the Bruce A Units 1 and 2 refurbishment and restart project was completed. Based on this assessment, the capital cost for the restart and refurbishment of Bruce A Units 1 and 2 is expected to be approximately $3.4 billion, up from an original 2005 cost estimate of $2.75 billion. TCPL's share is expected to be approximately $1.7 billion compared to an original estimate of $1.4 billion.

- May 12, 2008. TCPL announced that the Phoenix, Arizona based utility, Salt River Project, signed a 20 year power purchase agreement to secure 100 per cent of the output from the Coolidge Generating Station ("*Coolidge*"), a 575 MW simple-cycle natural gas-fired peaking power generation station currently in development to be located 72 km (45 miles) southeast of Phoenix in Coolidge, Arizona. In December 2008, the Arizona Corporation Commission granted a Certificate of Environmental Compatibility approving Coolidge. Construction is scheduled to begin in the summer of 2009, and the facility is expected to be commissioned in 2011.

- May 30, 2008. Portlands Energy Centre, a natural gas-fired combined-cycle power plant near downtown Toronto, Ontario ("*Portlands Energy Centre*") went into service in simple-cycle mode capable of delivering 340 MW of power during the summer of 2008. Portlands Energy Centre, which is 50 per cent owned by TCPL, is currently under construction and is expected to be fully commissioned in combined-cycle mode in first quarter 2009 with delivery capabilities of 550 MW of power.

- July 4, 2008. Hydro-Québec Distribution notified the Régie the L'énergie that it would exercise its option to extend the suspension of all electricity generation from TCPL's 550 MW Bécancour cogeneration power plant near Trois-Rivières, Québec ("*Bécancour*") throughout 2009. This followed on TCPL's agreement with Hydro-Québec Distribution to temporarily suspend all electricity generation from Bécancour during 2008. TCPL will continue to receive payments under the agreement similar to those that would have been received under the normal course of operation.

- July 9, 2008. TCPL announced that the Kibby Wind Power Project received unanimous final development plan approval from Maine's Land Use Regulation Commission. Construction on the project began in July 2008. The capital cost of the project is expected to be approximately US$320 million with commissioning of the first phase expected to begin in fourth quarter 2009**.**

- August 26, 2008. TCPL completed its acquisition of the 2,480 MW Ravenswood Generating Station ("*Ravenswood*") located at Queen's, New York for US$2.9 billion, subject to certain post-closing adjustments. The acquisition was completed pursuant to a membership interest and stock purchase agreement between KeySpan Corporation, KeySpan Energy Corporation and TransCanada Facility USA, Inc. dated March 31, 2008 (the "*Ravenswood Agreement*") whereby TransCanada Facility USA, Inc. agreed to acquire all of the outstanding membership interests of KeySpan-Ravenswood, LLC and all of the outstanding shares of KeySpan Ravenswood Services Corp. from National Grid plc. KeySpan-Ravenswood, LLC directly or indirectly owned or controlled Ravenswood. The acquisition was financed through a combination of equity and term debt offerings, funds drawn on a newly established bridge loan facility and cash on hand (see "Financing Activities" below).

- November 22, 2008. The Carleton wind farm, the third of six phases of a wind energy project contracted by Hydro-Québec Distribution in the Gaspé Region of Québec (the "*Cartier Wind Energy Project*"), went into service and is capable of generating 109 MW of power.

- In fourth quarter 2008, Bruce Power completed a review of the end of life estimates for Units 3 and 4. Unit 3 is now expected to be in commercial service until 2011, which provides the benefit of nearly two additional years of generation before the unit commences an expected 36-month refurbishment period. After the refurbishment period, the end of life estimate for Unit 3 is expected to increase from the originally expected date of 2037 to 2038. In addition, Unit 4 is now expected to be in commercial service until 2016, providing nearly seven years of generation before the unit commences a similar refurbishment period, after which, the end of life estimate for Unit 4 is expected to increase from the originally expected date of 2036 to 2042.

Regulatory Matters

- January 11, 2008. The FERC issued its FEIS for the Broadwater LNG project ("*Broadwater*"). A joint venture with Shell US Gas & Power LLC, Broadwater is a proposed offshore LNG facility in Long Island Sound, New York. The FEIS confirmed project need, supported the location of the project with acknowledgement of its target market and delivery goals, and found safety and security risks to be limited and acceptable. The FEIS concluded that with adherence to federal and state permit requirements and regulations, Broadwater's proposed mitigation measures and the FERC's recommendations, the project will not result in a significant impact on the environment.

- March 24, 2008. FERC authorized the construction and operation of Broadwater, subject to the conditions reflected in the authorization. On April 10, 2008, the New York State Department of State ("*NYSDOS*") determined that construction and operation of the project would not be consistent with the state's coastal zone policies. As a result of this unfavourable decision, TCPL wrote down $27 million after tax of costs for Broadwater that had been capitalized to March 31, 2008. On June 6, 2008, Broadwater Energy, LLC filed an appeal with the United States Secretary of Commerce on the decision of the NYSDOS asking the Secretary of Commerce to override the NYSDOS decision on the basis that the project meets the criteria for approval under the *Coastal Zone Management Act* and applicable regulations. A decision is expected in early 2009.

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

2007

Energy Developments

- June 2007. Following public hearings in 2006, the Québec government granted a provincial decree approving Cacouna. Cacouna also received federal approvals pursuant to the Canadian Environmental Assessment Act.

- September 2007. Cacouna announced that it was delaying the planned in-service date for the regasification terminal from 2010 to 2012. This delay resulted from a need to assess impacts of permit conditions, to review the facility design in light of escalating costs and to align the schedule with potential LNG supply facilities.

- November 2007. The second phase of the Cartier Wind Energy Project, the 101 MW Anse-à-Valleau wind farm, was placed into service. In addition, the Cartier Wind Energy Project began construction of a third project, the 109 MW Carleton wind farm.

2006

Energy Developments

- TCPL continued construction of the Cartier Wind Energy Project, of which 62 per cent is owned by TCPL. The first of six proposed wind farm projects, Baie-des-Sables, went into commercial service in late 2006.

- September 2006. Portlands Energy Centre L.P., 50 per cent owned by TCPL, signed a 20-year Accelerated Clean Energy Supply contract with the Ontario Power Authority for Portlands Energy Centre.

- September 2006. Construction of Bécancour was completed and placed into service providing power to Hydro-Québec Distribution.

- November 2006. TCPL was awarded a 20-year Clean Energy Supply contract by the Ontario Power Authority to build, own and operate a 683 MW natural gas-fired power plant near the Town of Halton Hills, Ontario.

- December 2006. The Edson gas storage facility was placed in service.

Regulatory Matters

- January 2006. TCPL, on behalf of Broadwater, filed an application with the FERC for approval of the LNG regasification project to be located in Long Island Sound, New York. Coincident with the FERC process, Broadwater applied to the NYSDOS for a determination that the project is consistent with New York's coastal zone policies.

- December 2006. A public hearing on Cacouna was held in May and June of 2006 and in December 2006 the Minister of the Environment for Québec and the federal Minister of the Environment, jointly released the report of the Joint Commission on Cacouna.

Financing Activities

2009

- January 6, 2009. TCPL entered into an underwriting agreement with a syndicate of underwriters led by Citigroup Global Markets Inc. and HSBC Securities (USA) Inc. under which the underwriters agreed to purchase from TCPL and sell to the public US$750 million and US$1.25 billion of Senior Unsecured Notes maturing on January 15, 2019 and January 15, 2039, respectively, and bearing interest at 7.125 per cent and 7.625 per cent, respectively. The offering was completed on January 9, 2009. The proceeds from these notes are expected to be used to partially fund TCPL's capital projects, retire maturing debt obligations and for general corporate purposes. These notes were issued under a US$3.0 billion debt shelf prospectus filed on January 2, 2009.
- February 17, 2009. TCPL completed the issuance of $300 million and $400 million of Medium-Term Notes maturing on February 14, 2014 and February 17, 2039, respectively, and bearing interest at 5.05 per cent and 8.05 per cent, respectively. The proceeds from these notes are expected to be used to fund the Alberta System and Canadian Mainline rate bases. These notes were issued under a $1.5 billion debt shelf prospectus filed in March, 2007.

2008

- May 5, 2008. TransCanada entered into an underwriting agreement with a syndicate of underwriters led by BMO Nesbitt Burns Inc., RBC Dominion Securities Inc., and TD Securities Inc. under which the underwriters agreed to purchase from TransCanada 30,200,000 Common Shares and sell the Common Shares to the public at a purchase price of $36.50 per Common Share. The underwriters were also granted an over-allotment option to purchase an additional 4,530,000 Common Shares at the same price. The offering was completed on May 13, 2008 and together with the full exercise of the over-allotment option by the underwriters, 34,730,000 Common Shares were issued and resulted in gross proceeds to TCPL of approximately $1.27 billion to be used by TCPL to partially fund acquisitions and capital projects of TCPL including, amongst others, the acquisition of Ravenswood, the construction of the Keystone Oil Pipeline, and for general corporate purposes. These Common Shares were issued under the base shelf prospectus filed in January, 2007.
- June 27, 2008. TCPL executed an agreement with a syndicate of banks for a US$1.5 billion, committed, unsecured, one-year bridge loan facility, at a floating interest rate based on the London Interbank Offered Rate ("*LIBOR*") plus 30 basis points. The facility is extendible at the option of TCPL for an additional six month term at LIBOR plus 35 basis points. On August 25, 2008, TCPL utilized US$255 million from this facility to fund a portion of the Ravenswood acquisition and cancelled the remainder of the commitment. At December 31, 2008, the US$255 million remained outstanding on the facility.
- August 6, 2008. TCPL entered into an underwriting agreement with a syndicate of underwriters led by Citigroup Global Markets Inc. and J.P. Morgan Securities Inc. under which the underwriters agreed to purchase from TCPL and sell to the public US$850 million and US$650 million of Senior Unsecured Notes maturing on August 15, 2018 and August 15, 2038, respectively, and bearing interest at 6.5 per cent and 7.25 per cent, respectively. The offering was completed on August 11, 2008. The proceeds from these notes were used to partially fund the Ravenswood acquisition and for general corporate purposes. These notes were issued under a US$2.5 billion debt shelf prospectus filed in September, 2007.
- August 20, 2008. TCPL completed an issuance of $500 million of Medium-Term Notes maturing in August 2013 and bearing interest at 5.05 per cent. The proceeds from these notes were used to partially fund the Alberta System's capital program and for general corporate purposes. These notes were issued under the debt shelf prospectus filed in March, 2007.
- November 17, 2008. TransCanada entered into an underwriting agreement with a syndicate of underwriters led by RBC Dominion Securities Inc., BMO Nesbitt Burns Inc., and TD Securities Inc. under which the underwriters agreed to purchase from TransCanada 30,500,000 Common Shares and sell the Common Shares to the public at a purchase price of $33.00 per Common Share. The underwriters were also granted an over-allotment option to purchase an additional 4,575,000 Common Shares at the same price. The offering was completed on November 25, 2008 and resulted in gross proceeds to TCPL of approximately $1 billion to be used by TCPL to partially fund its capital projects, including the Keystone Oil Pipeline, for general corporate purposes and to repay short-term indebtedness. The syndicate of underwriters fully exercised the over-allotment option on December 5, 2008 for additional gross proceeds to TCPL of $151 million. The Common Shares were issued under the base shelf prospectus filed in July, 2008.

- In November 2008, TCPL established a US$1.0 billion committed, unsecured bank facility with a syndicate of banks. The facility bears interest at a floating rate plus a margin. The facility has an initial term of 364 days with a one-year renewal at the option of the borrower and will support a new commercial paper program dedicated to funding a portion of expenditures for the Keystone Oil Pipeline and for general partnership purposes. As at December 31, 2008, no draws had been made on this facility

Further information about financing activities can be found in the MD&A under the headings "Short-Term Debt Financing Activities", "2009 and 2008 Long-Term Debt Financing Activities", "2007 Long-Term Debt Financing Activities", "2006 Long-Term Debt Financing Activities", "2008 Equity Financing Activities" and "2007 Equity Financing Activities".

BUSINESS OF TCPL

TCPL is a leading North American energy infrastructure company focused on pipelines and energy. At Year End, Pipelines accounted for approximately 54 per cent of revenues and 64 per cent of TCPL's total assets and Energy accounted for approximately 46 per cent of revenues and 30 per cent of TCPL's total assets. The following is a description of each of TCPL's two main areas of operation.

The following table shows TCPL's revenues from operations by segment, classified geographically, for the years ended December 31, 2008 and 2007.

Revenues From Operations *(millions of dollars)*	**2008**	**2007**
Pipelines		
Canada - Domestic	$2,005	$2,227
Canada - Export[(1)]	1,123	1,003
United States	1,522	1,482
	4,650	4,712
Energy[(2)]		
Canada – Domestic	2,594	2,792
Canada - Export[(1)]	2	3
United States	1,373	1,321
	3,969	4,116
Total Revenues[(3)]	$8,619	$8,828

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

(2) Revenues include sales of natural gas.

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

Pipelines Business

TCPL is a leader in the responsible development and reliable operation of North American energy infrastructure including natural gas pipelines, regulated gas storage facilities and projects related to oil pipelines. TCPL's network of wholly owned pipelines extends more than 59,000 km (36,661 miles), tapping into virtually all major gas supply basins in North America.

TCPL has substantial Canadian and U.S. natural gas pipeline and related holdings, and one oil pipeline project, including those listed below.

Canada

- TCPL's Canadian Mainline is a 100 per cent owned 14,101 km (8,762 mile) natural gas transmission system in Canada that extends from the Alberta/Saskatchewan border east to the Québec/Vermont border and connects with other natural gas pipelines in Canada and the U.S.

- TCPL's Alberta System is a 100 per cent owned natural gas transmission system in Alberta gathers natural gas for use within the province and delivers it to provincial boundary points for connection with the Canadian Mainline and the Foothills System and with the natural gas pipelines of other companies. The 23,705 km (14,730 mile) system is one of the largest carriers of natural gas in North America.

- Keystone Oil Pipeline is a 3,456 km (2,147 mile) oil pipeline project currently under construction that will transport crude oil from Hardisty, Alberta to U.S. Midwest markets at Wood River and Patoka in Illinois, and to Cushing, Oklahoma. In addition, an expansion to the United States Gulf Coast is under development, which is expected to add approximately 2,720 km (1,690 miles) of pipe to the system. Commissioning of the segment to Wood River and Patoka is expected to begin in late 2009. Commissioning of the segment to Cushing is expected to begin in late 2010. The expansion to the United States Gulf Coast is expected to be commissioned in 2012, subject to regulatory approvals. Keystone Oil Pipeline was 62 per cent owned by TCPL as at December 31, 2008 and TCPL has agreed to increase its equity ownership in Keystone U.S. and Keystone Canada up to 79.99 per cent. In accordance with this agreement, TransCanada will fund 100 per cent of the construction expenditures until the participants' project capital contributions are aligned with the revised ownership interests. Certain parties that have made volume commitments to the Keystone Oil Pipeline expansion have an option to acquire up to a combined 15 per cent equity ownership in Keystone U.S. and Keystone Canada by end of first quarter 2009. If all of the options are exercised, TCPL's equity ownership would be reduced to 64.99 per cent.

- TCPL's Foothills System is a 100 per cent owned, 1,241 km (771 mile) natural gas transmission system in Western Canada which carries natural gas for export from central Alberta to the U.S. border to serve markets in the U.S. Midwest, Pacific Northwest, California and Nevada. Effective April 1, 2007, the B.C. System was integrated into the Foothills System.
- TransCanada Pipeline Ventures LP, which is 100 per cent owned by TCPL, owns a 161 km (100 mile) pipeline and related facilities that supply natural gas to the oil sands region of northern Alberta as well as a 27 km (17 mile) pipeline that supplies natural gas to a petrochemical complex at Joffre, Alberta.
- TransCanada Québec & Maritimes Pipeline Inc. ("*TQM*") is 50 per cent owned by TCPL. TQM is a 572 km (355 mile) pipeline system that connects with the Canadian Mainline and transports natural gas from Montréal to Québec City in Québec, and connects with the Portland System. TQM is operated by TCPL.

United States

- TCPL's ANR System ("*ANR System*") is a 100 per cent owned 17,000 km (10,563 mile) natural gas transmission system which transports natural gas from producing fields located primarily in Texas and Oklahoma on its southwest leg and in the Gulf of Mexico and Louisiana on its southeast leg. The system extends to markets located mainly in Wisconsin, Michigan, Illinois, Ohio and Indiana. ANR's natural gas pipeline also connects with other natural gas pipelines providing access to diverse sources of North American supply, including Western Canada, and the mid-continent and Rocky Mountain supply regions, and a variety of markets in the Midwestern and northeastern U.S.
- Underground gas storage facilities owned and operated by ANR provide regulated gas storage services to customers on the ANR System and the Great Lakes Gas Transmission System ("*Great Lakes System*") in upper Michigan. In 2008, ANR completed its storage enhancement project and added 14 billion cubic feet ("*Bcf*") of storage. In total, the ANR business unit operates sixteen underground natural gas storage facilities throughout the State of Michigan with total natural gas storage capacity of 250 Bcf.
- The GTN System ("*GTN System*") is TCPL's 100 per cent owned natural gas transmission system which extends 2,174 km (1,351 miles) and links the Foothills System with Pacific Gas and Electric Company's California Gas Transmission System, with Williams Companies, Inc.'s Northwest Pipeline in Washington and Oregon, and with Tuscarora.
- Bison pipeline is a proposed 480 km (298 mile) pipeline from the Powder River Basin in Wyoming to the Northern Border Pipeline System in North Dakota. The Bison pipeline has shipping commitments for approximately 405 mmcf/d and is expected to be in-service in fourth quarter 2010. TCPL is continuing to work with prospective Bison shippers to advance this project.
- North Baja is TCPL's 100 per cent owned natural gas transmission system which extends 129 km (80 miles) from Ehrenberg in southwestern Arizona to a point near Ogilby, California on the California/Mexico border and connects with the Gasoducto Bajanorte natural gas pipeline system in Mexico.
- The Great Lakes System is owned 53.6 per cent by TCPL and 46.4 per cent by TC Pipelines, LP. The 3,404 km (2,115 mile) Great Lakes System connects with the Canadian Mainline at Emerson, Manitoba, and serves markets primarily in Central Canada and the Midwestern U.S. TCPL operates the Great Lakes System and effectively owns 68.5 per cent of the system through its 53.6 per cent ownership interest and its indirect ownership through its 32.1 per cent interest in TC Pipelines, LP.
- The Northern Border Pipeline System ("*NBPL System*") is 50 per cent owned by TC PipeLines, LP and is a 2,250 km (1,398 mile) natural gas transmission system, which serves the U.S. Midwest from a connection with the Foothills System near Monchy, Saskatchewan. TCPL operates and effectively owns 16.1 per cent of the NBPL System through its 32.1 per cent interest in TC PipeLines, LP.

- Tuscarora is 100 per cent owned by TC PipeLines, LP and has a 491 km (305 mile) pipeline system transporting natural gas from the GTN System at Malin, Oregon to Wadsworth, Nevada (the "*Tuscarora System*") with delivery points in northeastern California and northwestern Nevada. TCPL operates the Tuscarora System and effectively owns 32.1 per cent of the system through its 32.1 per cent interest in TC PipeLines, LP.
- The Iroquois Gas Transmission System ("*Iroquois System*") connects with the Canadian Mainline near Waddington, New York and delivers natural gas to customers in the northeastern U.S. TCPL has a 44.5 per cent ownership interest in this 666 km (414 mile) pipeline system.
- The Portland System is a 474 km (295 mile) pipeline that connects with TQM near East Hereford, Québec and delivers natural gas to customers in the northeastern U.S. TCPL has a 61.7 per cent ownership interest in the Portland System and operates this pipeline.
- TCPL holds a 32.1 per cent interest in TC PipeLines, LP, a publicly held limited partnership of which a subsidiary of TCPL acts as the general partner. The remaining interest of TC PipeLines, LP is widely held by the public. TC PipeLines, LP owns a 50 per cent interest in the NBPL System, the remaining 46.4 per cent in the Great Lakes System and 100 per cent of Tuscarora.
- The Palomar pipeline project is a proposed 349 km (217 mile) pipeline extending from the GTN System to the Columbia River northwest of Portland. In December 2008, Palomar Gas Transmission LLC filed with the FERC for a certificate to build this pipeline, which is a 50/50 joint venture of GTNC and Northwest Natural Gas Co.

International

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

- TransGas is a 344 km (214 mile) natural gas pipeline system which runs from Mariquita in the central region of Colombia to Cali in the southwest of Colombia. TCPL holds a 46.5 per cent ownership interest in this pipeline.
- Gas Pacifico is a 540 km (336 mile) natural gas pipeline extending from Loma de la Lata, Argentina to Concepción, Chile. INNERGY is an industrial natural gas marketing company based in Concepción that markets natural gas transported on Gas Pacifico. TCPL holds a 30 per cent ownership interest both in Gas Pacifico and INNERGY.
- Tamazunchale is a 100 per cent owned, 130 km (81 mile) natural gas pipeline in east-central Mexico which extends from the facilities of Pemex Gas near Naranjos, Veracruz to an electricity generating station near Tamazunchale, San Luis Potosi. This pipeline went into service on December 1, 2006.

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

Regulation of the Pipeline Business

Canada

CANADIAN MAINLINE, TQM AND FOOTHILLS SYSTEM

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

ALBERTA SYSTEM

Effective January 1, 2008, the EUB was reorganized into the Energy Resources Conservation Board and the AUC. The AUC regulates all the physical and economic aspects of the Alberta System which were previously regulated by the EUB primarily under the provisions of the *Gas Utilities Act* ("*GUA*") and the *Pipeline Act*. Under the GUA, the Alberta System rates, tolls and other charges, and terms and conditions of services are subject to approval by the AUC. Under the provisions of the *Pipeline Act*, the AUC oversees various matters including the economic, orderly and efficient development of pipeline facilities, the operation and abandonment of the facilities and certain related pollution and environmental conservation issues. In addition to requirements under the *Pipeline Act*, the construction and operation of natural gas pipelines in Alberta are subject to certain provisions of other provincial legislation such as the *Environmental Protection and Enhancement Act*.

In June 2008, TCPL filed an application with the NEB seeking a determination that the Alberta System is within Canadian federal jurisdiction and subject to regulation by the NEB. TCPL also requested approvals to operate the Alberta System under NEB regulation. A hearing on the application was held in November 2008 and a decision is expected by the end of February 2009.

KEYSTONE OIL PIPELINE

TransCanada is presently constructing the Canadian and U.S. sections of the Keystone Oil Pipeline and expects to place the base facilities into service in late 2009. The NEB regulates the terms and conditions of service, including rates, and the physical operation of the Canadian portion of the pipeline. NEB approval is also required for facility additions, such as the Canadian portion of the proposed Gulf Coast expansion project.

United States

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

The FERC also regulates the terms and conditions of service, including rates, on the U.S. portion of the Keystone Oil Pipeline. However, primary approvals for any facility additions to the Keystone Oil Pipeline are obtained from state agencies.

Energy Business

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

The electrical power generation plants and power supply that TCPL has an interest in, including those under development, in the aggregate, represent approximately 10,900 MW of power generation capacity. Power plants and power supply in Canada account for approximately 60 per cent of this total, and power plants in the U.S. account for the balance, being approximately 40 per cent.

TCPL owns and operates the following facilities:

- Ravenswood, located in Queen’s, New York, is a 2,480 MW power plant that consists of multiple units employing steam turbine, combined cycle and combustion turbine technology. Ravenswood has the capacity to serve approximately 21 per cent of New York City’s peak load.
- TC Hydro, TCPL’s hydroelectric facilities located in New Hampshire, Vermont and Massachusetts on the Connecticut and Deerfield Rivers consist of 13 stations and associated dams and reservoirs with a total generating capacity of 583 MW.
- Ocean State Power, a 560 MW natural gas-fired, combined-cycle facility in Burrillville, Rhode Island.
- Bécancour, a 550 MW natural gas-fired cogeneration power plant located near Trois-Rivières, Québec. The entire power output is supplied to Hydro-Québec Distribution under a 20-year power purchase contract. Steam is also sold to an industrial customer for use in commercial processes.
- Natural gas-fired cogeneration plants in Alberta at Carseland (80 MW), Redwater (40 MW), Bear Creek (80 MW) and MacKay River (165 MW).
- Grandview, a 90 MW natural gas-fired cogeneration power plant located in Saint John, New Brunswick. Under a 20-year operating lease for tolls, Irving Oil Limited receives 100 per cent of the plant's heat and electricity output.

- Cancarb, a 27 MW facility at Medicine Hat, Alberta fuelled by waste heat from TCPL's adjacent thermal carbon black facility.

- Edson, an underground natural gas storage facility connected to the Alberta System near Edson, Alberta. The facility's central processing system is capable of maximum injection and withdrawal rates of 725 million cubic feet per day ("*mmcf/d*") of natural gas. Edson has a working natural gas storage capacity of approximately 50 Bcf.

TCPL has the following long-term power purchase arrangements in place:

- TCPL has the rights to 100 per cent of the generating capacity of the 560 MW Sundance A coal-fired power generation facility under a Power Purchase Agreement ("*PPA*"), which expires in 2017. TCPL also has the rights to 50 per cent of the generating capacity of the 706 MW Sundance B facility under a PPA, which expires in 2020 ("*Sundance*"). The Sundance facilities are located in south-central Alberta.

- The Sheerness facility, which consists of two 390 MW coal-fired thermal power generating units, is located in southeastern Alberta. TCPL has the rights to 756 MW of generating capacity from the Sheerness PPA, which expires in 2020 ("*Sheerness*").

TCPL has interests in the following:

- Two generating stations, Bruce A which currently generates 1,500 MW and is expected to produce an additional 1,500 MW of power when restart of Units 1 and 2 is completed in 2010, and Bruce Power L.P. ("*Bruce B*") with approximately 3,200 MW of generating capacity. Bruce Power is a partnership with generating facilities and offices located on 2,300 acres northwest of Toronto, Ontario on which are housed Bruce A and Bruce B. TCPL owns 48.9 per cent of Bruce A which has four 750 MW reactors, two of which are currently being refurbished and are expected to restart in 2010. TCPL owns 31.6 per cent of Bruce B, which has four operating reactors.

- A 60 per cent ownership in CrossAlta, which is an underground natural gas storage facility connected to the Alberta System located near Crossfield, Alberta. CrossAlta has a working natural gas capacity of 54 Bcf with a maximum deliverability capability of 480 mmcf/d.

- A 62 per cent interest in the Carleton (109 MW), Anse-à-Valleau (101 MW), and Baie-des-Sables (110 MW) wind farms, the first three phases of the Cartier Wind Energy Project, which commenced commercial operation in November 2008, November 2007 and November 2006, respectively.

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

- The Cartier Wind Energy Project consists of six wind projects in the Gaspé region of Québec contracted by Hydro-Québec Distribution representing a total of 740 MW when all six wind projects are complete. Three of the wind farms are constructed and in service as noted above and the remaining three projects are under planning and development are expected to be constructed through 2012, subject to the necessary approvals. Cartier Wind is 62 per cent owned by TCPL.

- The Portlands Energy Centre, a 550 MW high efficiency, combined-cycle natural gas generation power plant located in Toronto, Ontario is 50 per cent owned by TCPL and is under construction. The plant went into service in simple-cycle mode, capable of delivering 340 MW of electricity in the summer of 2008. It is anticipated to be fully commissioned in its combined-cycle mode, with delivery capabilities of 550 MW of power in the first quarter of 2009.

- A 683 MW natural gas-fired power plant near the town of Halton Hills, Ontario is under construction and is expected to be placed in service in the third quarter of 2010.

- The Coolidge generating station is a simple-cycle, natural gas-fired peaking power generation station under development in Coolidge, Arizona. Based on optimal operating conditions, TCPL predicts an electrical output of approximately 575 MW from this facility, designed to provide a quick response to peak power demands. The project has received its required permits, and construction is expected to commence in the third quarter of 2009 with commissioning expected in 2011. When constructed, the power output will be supplied to Salt River Project Agricultural Improvement and Power District under a 20-year power purchase contract.

- The proposed 132 MW Kibby wind power project is under construction and is expected to include 44 turbines located in Kibby and Skinner townships in Maine. Construction began in July 2008 and commissioning of the first phase is expected to begin in fourth quarter 2009.

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

GENERAL

Employees

At Year End, TCPL had approximately 3,987 employees, substantially all of whom were employed in Canada and the U.S., as set forth in the following table.

Western Canada	454
Calgary	1,697
Eastern Canada	242
U.S. West Coast	146
U.S. Mid West	478
U.S. Northeast	379
U.S. Southeast/Gulf Coast	246
Houston	342
Mexico and Chile	3
Total	3,987

Social and Environmental Policies

Health, safety and environment ("*HS&E*") is a priority in all of TCPL's operations and is guided by its HS&E Commitment Statement. The HS&E Commitment Statement outlines guiding principles for a safe and healthy environment for TCPL's employees, contractors and the public, and for the protection of the environment. All employees are held responsible and accountable for HS&E performance. Roles and responsibilities of employees are clearly defined to ensure appropriate financial, human and organizational resources are available to plan, implement and sustain the HS&E management system, and to ensure that each employee understands his or her role in HS&E management system implementation, success and continuous improvement. TCPL is committed to being an industry leader in conducting its business so that it meets or exceeds all applicable laws and regulations, and minimizes risk to people and the environment. TCPL is committed to tracking and improving its HS&E performance, and to promoting safety on and off the job, in the belief that all occupational injuries and illnesses are preventable. TCPL endeavors to do business with companies and contractors that share its perspective on HS&E performance, and to influence them to improve TCPL's collective performance. TCPL is committed to respecting the diverse environments and cultures in which it operates, and to supporting open communication with the public, policy makers, scientists and public interest groups with whom we share stewardship of the world we inhabit.

TCPL is committed to ensuring conformance with its internal policies and regulated requirements. The HS&E Committee of TCPL's board of directors (the "*Board*") monitors conformance with the Company's HS&E corporate policy through regular reporting. TCPL's HS&E management system is modeled on the International Organization of Standardization's ("*ISO*") standard for environmental management systems, ISO 14001, and focuses resources on the areas of significant risk to the organization's HS&E business activities. Management is informed regularly of all important HS&E operational issues and initiatives through formal reporting processes. TCPL's HS&E management system and performance are assessed by an independent outside firm every three years. The most recent assessment occurred in November 2006. The HS&E management system also is subject to ongoing internal review to ensure that it remains effective as circumstances change.

In 2008, employee and contractor health and safety performance continued to be a top priority. Overall safety rates continue to perform significantly better than most industry benchmarks. TCPL's assets were highly reliable in 2008 and there were no incidents that were material to TCPL's operations.

The safety of the public and integrity of our pipelines is a top priority of TransCanada. The Company expects to spend approximately $185 million in 2009 for pipeline integrity on its wholly owned pipelines, which is higher than the amount spent in 2008 primarily due to increased levels of in-line pipeline inspection on all systems. Under the approved regulatory models in Canada, pipeline integrity expenditures on NEB and AUC regulated pipelines are treated on a flow-through basis and, as a result, have no impact on TCPL's earnings. Expenditures on the GTN System are also recovered through a cost recovery mechanism in its rates. Pipeline safety in 2008 continued to be very good. TCPL experienced one small-diameter pipeline failure in a remote part of east central Alberta. The line break resulted in minimal impact with no injuries or property damage. Spending associated with public safety on the Energy assets is focused primarily on hydro dams and associated equipment, and is consistent with previous years.

Environmental Protection

TCPL's facilities are subject to various federal, provincial, state and local statutes and regulations regarding environmental quality and pollution control. Environmental risks from TCPL's operating facilities typically include: air emissions, such as nitrogen oxides ("*NOx*"), particulate matter and greenhouse gases; potential impacts on land, including land reclamation or restoration following construction; the use, storage or release of chemicals or hydrocarbons; the generation, handling and disposal of wastes and hazardous wastes; and water impacts such as uncontrolled water discharge. Environmental controls including physical design, programs, procedures and processes are in place to effectively manage these risks. TCPL has ongoing inspection programs designed to keep all of our facilities in compliance with environmental requirements and we are confident that our systems are in material compliance with the applicable requirements.

TCPL is not aware of any material outstanding orders, material claims or lawsuits against the Company in relation to the release or discharge of any material into the environment or in connection with environmental protection.

In 2008, TCPL conducted various environmental risk assessments and remediation work, resulting in total costs of approximately $7.0 million for work conducted on TransCanada's Canadian facilities and US$5.5 million for work conducted on our U.S. facilities. TCPL also conducted various retirement, reclamation and restoration work in 2008. Total costs were approximately $7.3 million.

In North America, climate change policy continues to evolve at regional and national levels. In 2008, policies related to industrial greenhouse gas ("*GHG*") emissions were in effect in Alberta, British Columbia and Québec and affected TCPL's assets located in those jurisdictions as discussed below.

In Alberta, the Specified Gas Emitters Regulation ("*SGER*"), which came into effect in 2007, requires industrial facilities to reduce GHG emissions intensities on an annual basis by 12 per cent from the baseline period, which has been established as the average emissions intensities in 2003, 2004 and 2005. A number of compliance mechanisms are available for those facilities unable to meet this target. TCPL's Alberta-based pipe and power facilities are subject to this regulation, as are the Sundance and Sheerness coal-fired power facilities with which TCPL has commercial arrangements. The cost of compliance incurred by TCPL's Alberta-based facilities related to SGER was approximately $12 million covering the period from July 1, 2007, the date of implementation of the SGER, to December 31, 2007. Costs for 2008 compliance are estimated to be $28 million and will be finalized when compliance reports are submitted at the end of March 2009. Compliance costs of the Alberta System pipeline network are recovered through tolls paid by customers. Compliance costs for the Company's power generation facilities and interests in Alberta are partially recovered through contracts and the impact of increased operating costs on Alberta power market prices.

The hydrocarbon royalty in Québec is collected by the natural gas distributor on behalf of the Québec Government via a green fund contribution charge on gas consumed. In 2008, the cost to Bécancour was less than $1.0 million as a result of an agreement between TCPL and Hydro-Québec Distribution to temporarily suspend the facility's power generation. The financial charges are expected to increase substantially in 2010 when the plant returns to service.

British Columbia's carbon tax, which came into effect in 2008, applies to carbon dioxide emissions arising from fossil fuel combustion. Compliance costs for fuel combustion at the Company's compressor and meter stations in British Columbia are recovered through tolls paid by customers. Costs related to the carbon tax for 2008 are approximately $1 million. This cost is expected to increase over the next four years as the tax rate (charge per tonne carbon dioxide) increases by $5 per tonne annually from the initial tax rate of $10 per tonne carbon dioxide.

RISK FACTORS

Environmental Risk Factors

As indicated above, there are multiple environmental risks associated with TCPL's operating facilities and as a consequence TCPL's operations are subject to various environmental laws and regulations that establish compliance and remediation obligations. Compliance obligations can result in significant costs associated with installing and maintaining pollution controls, fines and penalties resulting from any failure to comply, and potential limitations on operations. Remediation obligations can result in significant costs associated with the investigation and remediation of contaminated properties (some of which have been designated as Superfund sites by the United States Environmental Protection Agency under the *Comprehensive Environmental Response, Compensation and Liability Act*), and with damage claims arising out of the contamination of properties or impact on natural resources. It is not possible for us to estimate exactly the amount and timing of all future expenditures related to environmental matters due to:

- uncertainties in estimating pollution control and clean up costs, including sites where only preliminary site investigation or agreements have been completed;
- the potential discovery of new sites or additional information at existing sites;
- the uncertainty in quantifying liability under environmental laws that impose joint and several liability on all potentially responsible parties;
- the evolving nature of environmental laws and regulations, including the interpretation and enforcement thereof; and
- the potential for litigation on existing or discontinued assets.

At December 31, 2008, TCPL had accrued approximately $86 million for compliance and remediation obligations. TCPL believes that it has considered all necessary contingencies and has established appropriate reserves for environmental liabilities; however there is the risk that unforeseen matters may arise requiring us to set aside additional monies.

In addition to those climate change policies already in force and which are described above under the heading "Environmental Protection", there are also several federal (Canada and U.S.), regional and provincial initiatives currently in development. While recent political and economic events may significantly impact the scope and timing of new measures that are put in place, TCPL anticipates that most of the Company's facilities in Canada and the United States will be captured under future regional and/or federal climate change regulations to manage industrial GHG emissions. Certain of these initiatives are outlined below.

TCPL expects a number of its facilities will be affected by future Canadian federal climate change regulations. In April 2007, the Government of Canada released the Regulatory Framework for Air Emissions ("*Framework*"). The Framework outlines short-, medium- and long-term objectives for managing both GHG emissions and air pollutants in Canada. It is not known at this time whether the impacts from the pending regulations will be material as draft regulations have not been released. The Canadian government has also recently expressed interest in pursuing the development of a North American cap and trade system for GHG emissions. It is uncertain how the Framework will fit within a North American cap and trade system and what the specific requirements for industrial emitters will be. In the U.S., climate change is a strategic issue for the new administration and federal policy to manage domestic GHG emissions will be a priority.

At a regional level, seven western states and four Canadian provinces (British Columbia, Manitoba, Ontario and Québec) are focused on the implementation of a cap and trade program under the Western Climate Initiative ("*WCI*"). In the northeastern U.S., states that are members of the Regional Greenhouse Gas Initiative ("*RGGI*") implemented a CO_2 cap and trade program for electricity generators effective January 1, 2009. Participants in the Midwestern Greenhouse Gas Reduction Accord, which involves six states and one province (Manitoba), are developing a regional strategy for reducing members' GHG emissions that will include a multi sector cap and trade mechanism.

At a provincial level, TCPL has assets located in Ontario and Manitoba, where the provincial governments have announced climate change strategies that will impact industrial sources of GHG emissions (as mentioned above, British Columbia, Alberta and Québec already have policies in place). Details of these programs and information about how provincial programs will align with the Canadian government's climate change policies are still not available.

The Company expects a number of its facilities will be affected by new legislative initiatives in the United States. Under RGGI, both Ravenswood and Ocean State Power generation facilities will be required to submit allowances shortly after December 31, 2011. It is expected that the costs will be recovered from the market and the net impact to TCPL will be minimal. Company assets located in WCI and Midwestern Greenhouse Gas Reduction Accord member states and in California will be covered by measures put in place in these states, however the level of impact is not known at this time as key policy details remain outstanding.

TCPL monitors climate change policy developments and, when warranted, participates in policy discussions in jurisdictions where the Company has operations. TCPL is also continuing its programs to manage GHG emissions from its facilities and to evaluate new processes and technologies that result in improved efficiencies and lower GHG emission rates.

Other Risk Factors

A discussion of the Company's risk factors can be found in the MD&A for the year ended December 31, 2008 under the headings "Pipelines - Opportunities and Developments", "Pipelines - Business Risks", "Pipelines – Outlook", "Energy - Opportunities and Developments", "Energy - Business Risks", "Energy – Outlook", "Corporate – Outlook" and "Risk Management and Financial Instruments".

DIVIDENDS

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

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

	2008	**2007**	**2006**
Dividends declared on common shares(1)	**$1.49**	$1.39	$1.28
Dividends declared on preferred shares, Series U	**$2.80**	$2.80	$2.80
Dividends declared on preferred shares, Series Y	**$2.80**	$2.80	$2.80

(1) TCPL dividends on its common shares are declared in an amount equal to the aggregate cash dividend paid by TransCanada to its public shareholders. The amounts presented reflect the aggregate amount divided by the total outstanding common shares of TCPL.

DESCRIPTION OF CAPITAL STRUCTURE

Share Capital

TCPL's authorized share capital consists of an unlimited number of common shares, of which 598,016,657 were issued and outstanding at Year End, and an unlimited number of first preferred shares and second preferred shares, issuable in series. There were 4,000,000 Series U and 4,000,000 Series Y first preferred shares issued and outstanding at Year End. The following is a description of the material characteristics of each of these classes of shares.

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

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

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

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

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

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

The provisions attaching to the first preferred shares as a class may be modified, amended or varied only with the approval of the holders of the first preferred shares as a class. Any such approval to be given by the holders of the first preferred shares may be given by the affirmative vote of the holders of not less than $66\frac{2}{3}$ per cent of the first preferred shares represented and voted at a meeting or adjourned meeting of such holders.

First Preferred Shares, Series Y

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

Debt

The following table sets out the issuances by TCPL of senior unsecured notes, medium term unsecured note debentures and junior subordinated notes with terms to maturity in excess of one year, during the 12 months ended December 31, 2008 and in 2009 up to the date of this AIF.

Date Issued	**Issue Price per $1,000 Principal Amount of Notes**	**Aggregate Issue Price**
August 11, 2008	US$999.26(1)	US$849,371,000
August 11, 2008	US$999.62(1)	US$649,753,000
August 20, 2008	$998.69	$499,345,000
January 9, 2009	US$999.77(2)	US$749,827,500
January 9, 2009	US$991.48(2)	US$1,239,350,000
February 17, 2009	$995.29	$389,116,000
February 17, 2009	$997.17	$299,151,000

(1) These notes were issued under the same prospectus supplement. Notes maturing in 2018 were issued at 99.926% and notes maturing in 2038 were issued at 99.962%.

(2) These notes were issued under the same prospectus supplement. Notes maturing in 2019 were issued at 99.977% and notes maturing in 2039 were issued at 99.148%.

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

CREDIT RATINGS

The following table sets out the credit ratings assigned to those outstanding classes of securities of TCPL which have been rated by DBRS Limited ("*DBRS*"), Moody's Investors Service, Inc. ("*Moody's*") and Standard and Poor's ("*S&P*"):

	DBRS	**Moody's**	**S&P**
Senior Unsecured Debt			
Debentures	A	A3	A-
Medium-term Notes	A	A3	A-
Junior Subordinated Notes	BBB (high)	Baa1	BBB
Preferred Shares	Pfd-2 (low)	Baa2	BBB
Commercial Paper	R-1 (low)	-	-
Trend/Rating Outlook	Stable	Stable	Stable

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

DBRS Limited (DBRS)

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

Moody's Investors Service, Inc. (Moody's)

Moody's has different rating scales for short and long-term obligations. Numerical modifiers 1, 2 and 3 are applied to each rating classification, with 1 being the highest and 3 being the lowest. The A3 rating assigned to TCPL's senior unsecured debt is the third highest of nine rating categories for long-term obligations. Obligations rated A are considered upper-medium grade and are subject to low credit risk. The Baa rating assigned to TCPL’s junior subordinated debt and preferred shares is the fifth highest of nine rating categories for long-term obligations, with the junior subordinated debt ranking slightly higher within the Baa rating category with a modifier of 1 as opposed to the modifier of 2 on the preferred shares. Obligations rated Baa are subject to moderate credit risk, are considered medium-grade, and as such, may possess certain speculative characteristics.

Standard & Poor's (S&P)

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

MARKET FOR SECURITIES

TransCanada holds all of the common shares of TCPL and these are not listed on a public market. During 2008, 66,340,502 common shares of TCPL were issued to TransCanada as set out in the following table:

Date	Number of TCPL Common Shares	Price per TCPL Common Share	Aggregate Issuance Price
December 8, 2008	4,421,212	$33.00	$145,900,000
November 25, 2008	24,518,932	$32.22	$790,000,000
October 31, 2008	1,331,521	$36.80	$49,000,000
August 22, 2008	31,086,142	$40.05	$1,245,000,000
July 31, 2008	1,645,244	$38.90	$64,000,000
April 30, 2008	1,878,581	$36.65	$68,850,000
January 31, 2008	1,458,870	$38.61	$56,327,000

TransCanada's common shares are listed on the Toronto Stock Exchange ("*TSX*") and the New York Stock Exchange ("*NYSE*"). The following table sets forth the reported monthly high and low trading prices and monthly trading volumes of the common shares of TransCanada on the TSX and the NYSE for the period indicated:

Common Shares

	TSX (TRP)				NYSE (TRP)			
Month	High ($)	Low ($)	Close ($)	Volume Traded	High (US$)	Low (US$)	Close (US$)	Volume Traded
December 2008	34.50	31.53	33.17	43,677,420	27.82	24.97	27.14	5,101,834
November 2008	37.45	30.29	32.70	46,435,859	32.59	23.52	26.37	5,418,243
October 2008	39.26	29.42	36.42	69,562,035	36.33	24.45	30.30	6,675,763
September 2008	40.60	35.95	38.17	49,809,072	37.96	34.01	36.15	3,557,196
August 2008	40.65	38.50	40.27	28,550,772	39.18	35.99	37.97	2,467,304
July 2008	39.99	36.47	39.70	35,668,563	39.29	35.72	38.74	3,765,973
June 2008	40.71	37.79	39.50	34,833,031	40.08	37.39	38.77	2,381,500
May 2008	40.04	36.77	39.16	44,457,100	40.64	35.94	39.38	2,978,200
April 2008	38.90	35.98	36.90	54,718,260	37.70	35.33	36.74	3,467,500
March 2008	40.60	36.97	39.55	28,273,379	41.25	36.38	38.53	2,852,100
February 2008	40.50	38.70	39.54	27,480,832	41.53	38.54	40.09	2,390,000
January 2008	40.97	36.21	39.57	30,366,638	41.31	35.60	39.23	3,438,700

In addition, TCPL's Cumulative Redeemable First Preferred Shares, Series U (the "*Series U Preferred Shares*") and Series Y (the "*Series Y Preferred Shares*") are listed on the TSX. The following table sets forth the reported monthly high and low trading prices and monthly trading volumes of the Series U Preferred Shares and the Series Y Preferred Shares.

Series U Preferred Shares and Series Y Preferred Shares

	Series U (TCA.PR.X)				Series Y (TCA.PR.Y)			
Month	High ($)	Low ($)	Close ($)	Volume Traded	High ($)	Low ($)	Close ($)	Volume Traded
December 2008	44.20	38.92	41.66	136,613	41.83	39.31	41.63	109,874
November 2008	46.49	40.00	40.35	60,801	46.00	40.05	41.10	118,067
October 2008	47.41	44.00	44.95	51,869	47.10	42.40	45.49	152,091
September 2008	48.04	46.51	46.99	40,642	48.45	46.50	46.99	143,130
August 2008	48.00	47.00	47.50	31,191	48.90	47.25	47.85	61,989
July 2008	48.50	45.25	47.93	56,240	48.64	46.80	46.80	166,285
June 2008	49.39	48.20	48.50	47,835	49.14	48.03	48.48	173,118
May 2008	49.33	47.76	48.84	39,370	49.34	48.09	48.86	43,593
April 2008	50.34	48.18	48.95	34,870	50.09	48.00	48.30	40,184
March 2008	51.00	49.81	50.19	48,975	51.05	49.80	50.08	29,537
February 2008	51.40	50.00	50.85	41,536	51.24	50.20	51.00	33,462
January 2008	52.00	47.00	50.48	41,152	51.40	49.10	50.30	47,823

DIRECTORS AND OFFICERS

As of February 23, 2009, the directors and officers of TransCanada as a group beneficially owned, or exercised control or direction, directly or indirectly, over an aggregate of 1,401,751 Common Shares of TransCanada. This constitutes less than one per cent of TransCanada's Common Shares. In addition, officers held exercisable options to acquire an aggregate of 1,777,523 additional Common Shares. TransCanada collects this information from its directors and officers but otherwise has no direct knowledge of individual holdings of its securities.

Directors

Set forth below are the names of the thirteen directors who served on the Board at Year End, together with their jurisdictions of residence, all positions and offices held by them with TCPL and its significant affiliates, their principal occupations or employment during the past five years and the year from which each director has continually served as a director of TCPL. Positions and offices held with TransCanada are also held by such person at TCPL. TransCanada will hold its annual meeting of common shareholders on Friday, May 1, 2009, and subject to the election of the thirteen nominees proposed for election to TransCanada's board of directors, these directors will be elected by the sole shareholder of TCPL as directors of TCPL on that date. Each director holds office until TCPL's next annual shareholder's meeting (or resolution of the sole shareholder) or until his or her successor is earlier elected or appointed.

Name and Place of Residence	Principal Occupation During the Five Preceding Years	Director Since
Kevin E. Benson[(1)] Wheaton, Illinois United States	President and Chief Executive Officer, Laidlaw International, Inc. (transportation services) from June 2003 to October 2007, and Laidlaw, Inc. from September 2002 to June 2003.	2005
Derek H. Burney, O.C. Ottawa, Ontario Canada	Senior strategic advisor at Ogilvy Renault LLP (law firm), Chair, Canwest Global Communications Corp. (communications) and Chair, International Advisory Board for Garda World Consulting & Investigation, a division of Garda World Security Corporation. Lead director at Shell Canada Limited (oil and gas) from April 2001 to May 2007. President and Chief Executive Officer, CAE Inc. (technology) from October 1999 to August 2004.	2005
Wendy K. Dobson Uxbridge, Ontario Canada	Professor, Rotman School of Management and Director, Institute for International Business, University of Toronto. Vice Chair and Chair of the audit committee, Canadian Public Accountability Board from 2003 to 2009. Director, Toronto-Dominion Bank. Member of the Advisory Committees of the Peterson Institute of International Economics and the Canada Institute at the Woodrow Wilson International Centre. Member of the International Advisory Committee of the Asia Society and a director of the Stephen Leacock Foundation for Children.	1992
E. Linn Draper Lampasas, Texas United States	Director, Alliance Data Systems Corporation (data processing and services), Lead Director, Alpha Natural Resources, Inc. (mining), NorthWestern Corporation (conducting business as NorthWestern Energy) (oil and gas) and Lead Director of Temple-Inland Inc. (materials). Chair, President and Chief Executive Officer of Columbus, Ohio-based American Electric Power Co., Inc. from April 1993 to April 2004.	2005
The Hon. Paule Gauthier, P.C., O.C., O.Q., Q.C. Québec, Québec Canada	Senior Partner, Stein Monast LLP (law firm). Director, Cossette Communication Group Inc., Institut Québecois des Hautes Études Internationales, Laval University, Metro Inc., RBC Dexia Investor Services Trust and Royal Bank of Canada.	2002
Kerry L. Hawkins Winnipeg, Manitoba Canada	Director, NOVA Chemicals Corporation. President, Cargill Limited (agricultural) from September 1982 to December 2005.	1996
S. Barry Jackson Calgary, Alberta Canada	Chair of the Board, TCPL since April 2005. Director, Nexen Inc. (oil and gas). Director, WestJet Airlines Ltd. Chair of Resolute Energy Inc. (oil and gas) from January 2002 to April 2005 and Chair of Deer Creek Energy Limited (oil and gas) from April 2001 to September 2005.	2002

Name and Place of Residence	**Principal Occupation During the Five Preceding Years**	**Director Since**
Paul L. Joskow New York, New York United States	Economist and President of the Alfred P. Sloan Foundation. On leave from his position as Professor of Economics and Management, Massachusetts Institute of Technology ("MIT") where he has been on the faculty since 1972. Trustee of Yale University since July 1, 2008 and member of the Board of Overseers of the Boston Symphony Orchestra since September 2005. Director of the MIT Center for Energy and Environmental Policy Research from 1999 to 2007 and Director of National Grid plc from 2000 to 2007. Director of Exelon Corporation (energy) since July 2007. Trustee of Putnam Mutual Funds. President of the Yale University Council until July 1, 2006 and was on the Board of Directors of the Whitehead Institute of Biological Research until February 2005.	2004
Harold N. Kvisle Calgary, Alberta Canada	President and Chief Executive Officer of TCPL since May 2003 and TCPL since May 2001. Director, Bank of Montreal.	2001
John A. MacNaughton(2), C.M. Toronto, Ontario Canada	Chair of the Business Development Bank of Canada and of CNSX Markets Inc. (formerly the Canadian Trading and Quotation System Inc. (stock exchange). Director, Nortel Networks Corporation and Nortel Networks Limited (the principal operating subsidiary of Nortel Networks Corporation) (technology). Appointed by the Minister of Human Resources and Social Development as Nominating Committee Chair for the new Canada Employment Insurance Financing Board in 2008. Founding President and Chief Executive Officer of the Canadian Pension Plan Investment Board from 1999 to 2005.	2006
David P. O'Brien(3) Calgary, Alberta Canada	Chair, EnCana Corporation (oil and gas) since April 2002 and Chair, Royal Bank of Canada since February 2004. Director, Molson Coors Brewing Company, Enerplus Resources Fund and C.D. Howe Institute. Chancellor, Concordia University and a member of the Science, Technology and Innovation Council of Canada.	2001
W. Thomas Stephens Greenwood Village, Colorado United States	Chair and Chief Executive Officer of Boise Cascade, LLC from November 2004 to November 30, 2008. Director, Boise Inc.	2007(4)
D. Michael G. Stewart Calgary, Alberta Canada	Director, Canadian Energy Services Inc., Pengrowth Corporation and Orleans Energy Ltd. Director of Esprit Exploration Ltd. (oil and gas) from May 2002 to September 2004; a director of Canada Southern Petroleum Ltd. from June 2003 to August 2004; Chairman and a trustee of Esprit Energy Trust (oil and gas) from August 2004 to October 2006; and a director of Creststreet Power & Income General Partner Limited, the General Partner of Creststreet Power & Income Fund L.P. (wind power) from December 2003 to February 2006.	2006

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

(2) Mr. MacNaughton was a director of Nortel Networks Corporation and Nortel Networks Limited (either, "*Nortel*") when they and certain other subsidiaries filed for creditor protection under the *Companies' Creditors Arrangement Act* (Canada) and applicable bankruptcy protection statutes in the U.S. and the United Kingdom on January 14, 2009. Mr. MacNaughton became a director of Nortel on June 29, 2005. Nortel was subject to a management cease trade order on April 10, 2006 issued by the Ontario Securities Commission ("*OSC*") and other provincial securities regulators. The cease trade order related to a delay in filing certain of Nortel's 2005 financial statements. The order was revoked by the OSC on June 8, 2006 and by the other provincial securities regulators very shortly thereafter.

(3) Mr. O'Brien was a director of Air Canada in April 2003 when Air Canada filed for protection under the *Companies' Creditors Arrangement Act* (Canada) and applicable bankruptcy protection statutes in the U.S.

(4) Mr. Stephens previously served on the Board from 2000 to 2005.

Board Committees

TCPL has four committees of the Board: the Audit Committee, the Governance Committee, the Health, Safety and Environment Committee and the Human Resources Committee. Mr. Jackson, the Chair of the Board, is a non-voting member of the Human Resources Committee and the Governance Committee. The voting members of each of these committees, as of Year End, are identified below:

Audit Committee		Governance Committee		Health, Safety & Environment Committee		Human Resources Committee	
Chair:	K.E. Benson	Chair:	W.K. Dobson	Chair:	E.L. Draper	Chair:	W.T. Stephens
Members:	D.H. Burney	Members:	D.H. Burney	Members:	P. Gauthier	Members:	W.K. Dobson
	P. Gauthier		P.L. Joskow		K.L. Hawkins		E.L. Draper
	P.L. Joskow		J.A. MacNaughton		W.T. Stephens		K.L. Hawkins
	J.A. MacNaughton		D.P. O'Brien		D.M.G. Stewart		D.P. O'Brien
	D.M.G. Stewart						

The charters of the Governance Committee, the Health, Safety & Environment Committee and the Human Resources Committee can be found on TransCanada's website under the Corporate Governance - Board Committees page located at www.transcanada.com. Information about the audit committee can be found in this AIF under the heading "Audit Committee" and the text of the Audit Committee Charter can be found at Schedule "C" attached to this AIF.

Further information about the Board committees and the text of the Charter of the Board of Directors can be found in Schedules "D" and "E", respectively, attached to this AIF and on TransCanada's website at www.transcanada.com. Information about the Company's corporate governance practices can be found at Schedule "B" attached to this AIF.

Officers

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

Executive Officers

Name	Present Position Held	Principal Occupation During the Five Preceding Years
Harold N. Kvisle	President and Chief Executive Officer	President and Chief Executive Officer
Russell K. Girling	President, Pipelines	Prior to June 2006, Executive Vice-President, Corporate Development and Chief Financial Officer.
Gregory A. Lohnes	Executive Vice-President and Chief Financial Officer	Prior to June 2006, President and Chief Executive Officer of Great Lakes Gas Transmission Company.
Dennis J. McConaghy	Executive Vice-President, Pipeline Strategy and Development	Prior to June 2006, Executive Vice-President, Gas Development.
Sean McMaster	Executive Vice-President, Corporate and General Counsel and Chief Compliance Officer	Prior to October 2006, General Counsel and Chief Compliance Officer. Prior thereto, General Counsel since June 2006. Prior to June 2006, Vice-President, Transactions, Power Division, TCPL and concurrently, prior to August 2005, President TransCanada Power Services Ltd., general partner of TransCanada Power, L.P.
Alexander J. Pourbaix	President, Energy	Prior to June 2006, Executive Vice-President, Power.
Sarah E. Raiss	Executive Vice-President, Corporate Services	Executive Vice-President, Corporate Services
Donald M. Wishart	Executive Vice-President, Operations and Engineering	Executive Vice-President, Operations and Engineering.

Corporate Officers

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

Conflicts of Interest

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

CORPORATE GOVERNANCE

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

Compliance with Canadian Governance Guidelines

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

AUDIT COMMITTEE

TCPL has an Audit Committee which is responsible for assisting the Board in overseeing the integrity of TCPL's financial statements and compliance with legal and regulatory requirements and in ensuring the independence and performance of TCPL's internal and external auditors. The Charter of the Audit Committee can be found in Schedule "B" of this AIF and on TransCanada's website under the Corporate Governance - Board Committees page, at www.transcanada.com.

Relevant Education and Experience of Members

The members of the Audit Committee at Year End were Kevin E. Benson (Chair), Derek H. Burney, Paule Gauthier, Paul L. Joskow, John A. MacNaughton and D. Michael G. Stewart.

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

Kevin E. Benson
Mr. Benson earned a Bachelor of Accounting from the University of Witwatersrand (South Africa) and was a member of the South African Society of Chartered Accountants. Mr. Benson was the President and Chief Executive Officer of Laidlaw International, Inc. until October, 2007. In prior years, he has held several executive positions including one as President and Chief Executive Officer of Canadian Airlines International Ltd. and has served on other public company boards.

Derek H. Burney
Mr. Burney earned a Bachelor of Arts (Honours) and Master of Arts from Queen's University. He is currently a senior strategic advisor at Ogilvy Renault LLP. Mr. Burney previously served as President and Chief Executive Officer of CAE Inc. and as Chairman and Chief Executive Officer of Bell Canada International Inc. Mr. Burney was the lead director at Shell Canada Limited until May 2007 and is the Chairman of Canwest Global Communications Corp. He has served on one other organization's audit committee.

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

Paul L. Joskow
Mr. Joskow earned a Bachelor of Arts with Distinction in Economics from Cornell University, a Masters of Philosophy in Economics from Yale University, and Ph.D. in Economics from Yale University. He is currently the President of the Alfred P. Sloan Foundation and on leave from his position as a Professor of Economics and Management, MIT. He has served on the boards of several public companies and other organizations and on the audit committees of certain of those boards.

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

D. Michael G. Stewart
Mr. Stewart earned a Bachelor of Science (Honours) in Geological Science from Queen’s University. Mr. Stewart has served and continues to serve on the boards of several public companies and other organizations and on the audit committees of certain of those boards. He has been active in the Canadian energy industry for over 35 years.

Pre-Approval Policies and Procedures

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

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

External Auditor Service Fees

The following table provides information about the fees paid by the Company to KPMG LLP, the external auditor of the TransCanada group of companies, for professional services rendered for the 2008 and 2007 fiscal years.

Fee Category	2008	2007	Description of Fee Category
	(millions of dollars)		
Audit Fees	**$6.69**	**$6.27**	Aggregate fees for audit services rendered for the audit of the annual consolidated financial statements or services provided in connection with statutory and regulatory filings or engagements, the review of interim consolidated financial statements and information contained in various prospectuses and other offering documents.
Audit Related Fees	**0.08**	**0.07**	Aggregate fees for assurance and related services that are reasonably related to performance of the audit or review of the consolidated financial statements and are not reported as Audit Fees. The nature of services comprising these fees related to the audit of the financial statements of certain pension plans.
Tax Fees	**0.14**	**0.06**	Aggregate fees rendered for primarily tax compliance and tax advice. The nature of these services consisted of: tax compliance including the review of income tax returns; and tax items and tax services related to domestic and international taxation including income tax, capital tax and Goods and Services Tax.
All Other Fees	**0.37**	**0.00**	Aggregate fees for products and services other than those reported elsewhere in this table. The nature of these services consisted primarily of advice and training primarily related to compliance with IFRS.
Total	**$7.28**	**$6.40**	

INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

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

SECURITIES OWNED BY DIRECTORS

The following table sets out the number of each class of securities of TCPL or any of its affiliates beneficially owned, directly or indirectly, or over which control or direction is exercised and the number of deferred share units credited to each director, as of February 23, 2009.

Director	TransCanada Common Shares[1]	Deferred Share Units[2]
K. Benson	3,000	19,848
D. Burney	2,124	18,194
W. Dobson	3,000	36,858
E.L. Draper	0	19,681
P. Gauthier	1,000	30,707
K. Hawkins[3]	4,974	46,080
S.B. Jackson	39,000	36,030
P.L. Joskow	5,000	16,456
H. Kvisle[4][5]	1,091,201	N/A
J. MacNaughton	40,000	14,094
D. O’Brien	19,634	30,707
W. T. Stephens	1,470	5,482
D.M.G. Stewart[6]	10,000	8,341

(1) The information as to shares beneficially owned or over which control or direction is exercised, not being within the knowledge of TCPL, has been furnished by each of the nominees. Except as indicated in these notes, the nominees have sole voting and dispositive power with respect to the securities listed above. As to each class of shares of TCPL, its subsidiaries and affiliates, the percentage of outstanding shares beneficially owned by any one director or nominee or by all directors and officers of TCPL as a group does not exceed 1% of the class outstanding.

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

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

(4) Securities owned, controlled or directed include common shares that Mr. Kvisle has a right to acquire through the exercise of stock options that are vested under the Stock Option Plan, which is described elsewhere in this AIF. Directors as such do not participate in the Stock Option Plan. Mr. Kvisle, as an employee of TCPL, has the right to acquire 1,019,128 Common Shares under vested stock options, which amount is included in this column.

(5) Mr. Kvisle is an employee of TCPL and participates is the ESU program; he does not participate in the DSU program.

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

COMPENSATION OF DIRECTORS

Unless as otherwise defined in the following sections, all capitalized terms used from herein shall have the same meaning ascribed to them in TransCanada's Management Proxy Circular (the "*Proxy Circular*"), dated February 23, 2009.

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

TCPL's director compensation practices are designed to reflect the size and complexity of TCPL and to reinforce the emphasis we place on shareholder value by linking a portion of directors' compensation to the value of common shares. As a result, directors' compensation consists of annual retainers and meeting fees paid in cash and in equity-based compensation known as deferred share units ("*DSUs*").

The Governance Committee assesses the market competitiveness of our director compensation on an annual basis against publicly traded autonomous Canadian companies in the Comparator Group (as defined in Schedule "F" to this AIF) and a general industry sample of Canadian companies, using an analysis provided by an outside consultant. Our goal is to provide total compensation to directors that is generally targeted at the median of our peers in both level and form in order to attract and retain qualified individuals. This goal is reflected in our current compensation paid to directors. The compensation philosophy for directors' compensation is different that that for the executive officers discussed in Schedule "F" to this AIF in that it is not based on the performance of the Company.

DIRECTOR COMPENSATION TABLE

The following table sets forth the total compensation paid by TCPL to directors in 2008.

Name (a)	Fees Earned[1] ($) (b)	Share-based Awards[2] ($) (c)	All Other Compensation[3] ($) (d)	Total ($) (e)
K.E. Benson	201,500	-	1,415	202,915
D.H. Burney	194,500	-	1,328	195,828
W.K. Dobson	194,000	-	507	194,507
E.L. Draper	198,500	-	1,413	199,913
P. Gauthier	193,000	-	1,000	194,000
K.L. Hawkins	193,253	-	1,342	194,595
S.B. Jackson[4]	396,000	-	29,174	425,174
P.L. Joskow	190,000	-	525	190,525
J.A. MacNaughton	190,000	-	1,314	191,314
D.P. O'Brien	176,500	-	1,000	177,500
W.T. Stephens	195,247	-	525	195,772
D.M.G. Stewart	183,254	-	507	183,761

(1) Includes all annual Board and committee retainers and meeting fees, including the value of that portion of the Board retainer ($72,000) and the Board Chair retainer ($180,000) required to be paid in DSUs and the value of cash retainers, meeting fees and travel fees elected by the director to be paid in DSUs as described in more detail under the heading "Retainers and Fees Paid to Directors" below.

(2) Directors may be granted share-based awards in the form of DSUs as additional directors' compensation under the DSU Plan. There were no DSUs awarded to directors in separate grants in 2008.

(3) Amounts shown reflect value of DSUs credited during the year ended December 31, 2008 as a result of dividend value reinvestment from DSUs received in 2008 based on the quarterly dividend payable per common share of $0.36 on June 30, 2008 and on September 30, 2008, and $0.38 on December 31, 2008.

(4) The Chair was reimbursed for certain office and other expenses of approximately $26,400 in 2008.

RETAINERS AND FEES PAID TO DIRECTORS

Annual board and committee retainers are paid to each director who is not an employee of TCPL in quarterly installments, in arrears, and are pro-rated from the date of the director's appointment to the Board and the relevant committees. Each committee chair is entitled to claim a per diem for time spent on committee activities outside of the committee meetings. TCPL pays a travel fee of $1,500 per meeting for which round trip travel time exceeds three hours, and reimburses the directors for out-of-pocket expenses incurred in attending such meetings. The retainers and fees paid to non-employee directors in 2008 are set forth in the following table and reflect changes approved by the Governance Committee effective January 1, 2008. Directors who are U.S. residents are paid the same amounts as outlined below in U.S. dollars.

Board Chair retainer	$360,000 per annum ($180,000 in cash + $180,000 value of DSUs)[1][2]
Board Chair meeting fee	$3,000 per Chaired Board meeting[1]
Board retainer	$142,000 per annum ($70,000 cash + $72,000 value of DSUs)[2]
Committee retainer	$4,500 per annum
Committee Chair retainer	$5,500 per annum
Board and Committee meeting fee	$1,500 per meeting
Committee Chair meeting fee	$1,500 per meeting

(1) The Chair is paid only the Board Chair retainer fee, the Board Chair meeting fee and the travel fee. The Chair does not receive any other retainers or meeting fees.

(2) The $180,000 portion of the Board Chair retainer paid in DSUs and the $72,000 portion of the Board retainer paid in DSUs are equal to an aggregate of 4,813 DSUs and 1,925 DSUs, respectively, which were granted quarterly, in arrears, based on the closing price of the common shares of TransCanada at the end of each quarter of $39.55, $39.50, $38.17 and $33.17, respectively.

Directors are entitled to direct all or a portion of their cash retainers, meeting fees and travel fees to be paid in DSUs. In 2008, Mr. Benson, Mr. Burney, Dr. Draper, Mr. Hawkins and Mr. MacNaughton directed all of their retainers, meeting fees and travel fees to be paid in DSUs. Ms. Gauthier and Mr. O'Brien directed their Board retainers to be paid in DSUs. In addition, Mr. Jackson directed the cash portion of his Chair retainer as well as his Board Chair meeting fee and travel fees to be paid in DSUs. For further information on the plan for DSUs, see the description under the heading "Share Unit Plan for Non-Employee Directors" below.

2008 Retainers and Fees

The following table sets out the total fees paid in cash and the value of the DSUs awarded or credited for each non-employee director in 2008 as at the date of the grant, unless otherwise stated. Mr. Kvisle, as an employee of TCPL, receives no cash fees or DSUs as a director.

Name	Board Retainer	Committee Retainer	Committee Chair Retainer	Board Meeting Fee	Committee Meeting Fee(1)	Travel Fee	Strategic Planning Sessions	Total Fees Paid in Cash	Total Value of DSUs Credited(2)	Total Cash & Value of DSUs Credited(3)
K.E. Benson(4)	142,000	4,500	5,500	15,000	22,500	10,500	1,500	0	201,500	201,500
D.H. Burney	142,000	9,000	n/a	15,000	16,500	10,500	1,500	0	194,500	194,500
W.K. Dobson	142,000	9,000	5,500	13,500	15,000	7,500	1,500	122,000	72,000	194,000
E.L. Draper(4)	142,000	9,000	5,500	15,000	15,000	10,500	1,500	0	198,500	198,500
P. Gauthier	142,000	9,000	n/a	15,000	16,500	9,000	1,500	51,000	142,000	193,000
K.L. Hawkins(5)	142,000	9,000	1,753	15,000	13,500	10,500	1,500	0	193,253	193,253
S.B. Jackson(6)	360,000	0	n/a	30,000	0	3,000	3,000	0	396,000	396,000
P.L. Joskow(4)	142,000	9,000	n/a	15,000	16,500	6,000	1,500	118,000	72,000	190,000
J.A. MacNaughton	142,000	9,000	n/a	15,000	15,000	7,500	1,500	0	190,000	190,000
D.P. O'Brien	142,000	9,000	n/a	13,500	7,500	3,000	1,500	34,500	142,000	176,500
W.T. Stephens(4)(5)	142,000	9,000	3,747	15,000	13,500	10,500	1,500	123,247	72,000	195,247
D.M.G. Stewart(7)	142,000	5,254	n/a	15,000	16,500	3,000	1,500	111,254	72,000	183,254

(1) Amounts shown represent $1,500 per meeting attended paid to each committee member, including the committee chair, plus $1,500 per meeting attended and chaired paid to committee chairs. This column also includes one training session in relation to International Financial Reporting Standards for the Audit Committee members where all members, including the Chair, were paid $1,500.

(2) Amounts shown include the minimum required amount of Board retainers paid in DSUs ($180,000 value of DSUs for the Chair, $72,000 value of DSUs for other Board members) plus the value of the retainers, meeting fees and travel fees elected to be received in DSUs.

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

(4) Directors who are U.S. residents are paid or credited these amounts, including DSU equivalents, in U.S. dollars.

(5) Mr. Hawkins was Chair of the Human Resources Committee until April 25, 2008, then Mr. Stephens became Chair and Mr. Hawkins became a regular member. Their committee retainers have been prorated accordingly.

(6) Mr. Jackson's Board meeting fee includes the fee of $3,000 for each Board meeting he chaired.

(7) Mr. Stewart was appointed to the Audit Committee on November 1, 2008. Prior to November 1, 2008, Mr. Stewart attended Audit Committee meetings as a guest and was paid committee meeting fees.

Minimum Share Ownership Guidelines

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

All of the directors have achieved the minimum share ownership.

Share Unit Plan for Non-Employee Directors

The Share Unit Plan for Non-Employee Directors (the "*DSU Plan*") was established in 1998. Pursuant to the DSU Plan, Board members are permitted to elect to receive any portion of their retainers and meeting fees paid in cash (including travel fees) in DSUs. The DSU Plan also allows the Governance Committee in its discretion, to grant units as additional compensation for directors.

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

COMPENSATION DISCUSSION AND ANALYSIS

Information relating to TCPL's executive compensation is provided in Schedule "F" to this AIF. The information is excerpted from TransCanada's Proxy Circular. Board and committee meetings of TransCanada and TCPL run concurrently. TCPL is the principal operating subsidiary of TransCanada.

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

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

The Canadian Alliance of Pipeline Landowners' Association ("*CAPLA*") and two individual landowners commenced an action in 2003 under Ontario's *Class Proceedings Act*, 1992, against TCPL and Enbridge Inc. for damages of $500 million alleged to arise from the creation of a control zone within 30 metres of a pipeline pursuant to Section 112 of the *National Energy Board Act.* On November 20, 2006, TCPL and Enbridge Inc. were granted a dismissal of the case but CAPLA appealed that decision. The appeal was heard on December 18, 2007. On April 3, 2008, the Ontario Court of Appeal dismissed CAPLA's appeal. The decision of the Ontario Court of Appeal is final and binding as CAPLA did not seek any further appeal within the time frame allowed.

TCPL and its subsidiaries are subject to various other legal proceedings and regulatory actions arising in the normal course of business. While the final outcome of such legal proceedings and regulatory actions cannot be predicted with certainty and there can be no assurance that such matters will be resolved in TCPL's favour, it is the opinion of TCPL's management that the resolution of such proceedings and regulatory actions will not have a material impact on TransCanada's consolidated financial position, results of operations or liquidity.

MATERIAL CONTRACTS

The Ravenswood Agreement as described in this AIF under the heading "General Development of the Business – Developments in the Energy Business" is available on SEDAR at www.sedar.com under TransCanada's profile.

The underwriting agreement between TCPL and Citigroup Global Markets Inc., J.P. Morgan Securities Inc., Deutsche Bank Securities Inc., HSBC Securities (USA) Inc., Lazard Capital Markets LLC, Mizuho Securities USA Inc. and SG Americas Securities, LLC, as underwriters, dated August 6, 2008 as described in this AIF under the heading "General Development of the Business – Financing Activities" is available on SEDAR at www.sedar.com under TCPL's profile.

The underwriting agreement between TCPL and Citigroup Global Markets Inc., HSBC Securities (USA) Inc., Deutsche Bank Securities Inc., J.P. Morgan Securities Inc., Mitsubishi UFJ Securities International plc, Mizuho Securities USA Inc., and SG Americas Securities, LLC, as underwriters, dated January 6, 2009 as described in this AIF under the heading "General Development of the Business – Financing Activities" is available on SEDAR at www.sedar.com under TCPL's profile.

TRANSFER AGENT AND REGISTRAR

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

INTEREST OF EXPERTS

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

ADDITIONAL INFORMATION

1. Additional information in relation to TCPL may be found under TCPL's profile on SEDAR at www.sedar.com.

2. Additional financial information is provided in TCPL's audited consolidated financial statements and MD&A for its most recently completed financial year.

GLOSSARY

AcSB	Accounting Standards Board
AGIA	*Alaska Gasline Inducement Act*
AIF	Annual Information Form of TransCanada PipeLines Limited dated February 23, 2009
Alberta System	A natural gas transmission system throughout the province of Alberta
ANR	American Natural Resources Company and ANR Storage Company
ANR System	A natural gas transmission system which extends approximately 17,000 km from producing fields in Louisiana, Oklahoma, Texas and the Gulf of Mexico to markets in Wisconsin, Michigan, Illinois, Ohio and Indiana
ATCO Pipelines	Canadian Utilities Limited
AUC	Alberta Utilities Commission
Bbl/d	Barrels per day
Bcf	Billion cubic feet
Bécancour	A power plant near Trois-Rivières, Québec
Bison	The Bison Pipeline Project, a proposed 298-mile pipeline from the Powder River Basin in Wyoming to the NBPL System
Board	TCPL's Board of Directors
Broadwater	A proposed offshore LNG facility in Long Island Sound, New York
Bruce A	Bruce Power A L.P.
Bruce B	Bruce Power L.P.
Cacouna	The Cacouna Energy LNG facility in Cacouna, Québec
Calpine	Calpine Corporation
Canadian Mainline	A natural gas pipeline system running from the Alberta border east to delivery points in eastern Canada and along the U.S. border
CAPLA	Canadian Alliance of Pipeline Landowner's Association
Cartier Wind Energy Project	Six wind energy projects contracted by Hydro-Québec Distribution representing a total of 740 MW in the Gaspé region of Québec
CO_2	Carbon dioxide
Common Shares	Common shares of TransCanada
Coolidge	Coolidge Generating Station
CSA	Canadian Securities Administrators
DBRS	DBRS Limited
EUB	Alberta Energy and Utilities Board
FEIS	Final Environment Impact Statement
FERC	Federal Energy Regulatory Commission (USA)
Framework	The Regulatory Framework for Air Emissions
Foothills System	A natural gas pipeline system in southeastern B.C., southern Alberta and southwestern Saskatchewan
GHG	Greenhouse gas
GTNC	Gas Transmission Northwest Corporation
GTN System	A natural gas transmission system running from northwestern Idaho, through Washington and Oregon to the California border
Great Lakes	Great Lakes Gas Transmission Limited Partnership
Great Lakes System	A natural gas pipeline system in the north central U.S., roughly parallel to the Canada-U.S. Border
GUA	*Gas Utilities Act* (Alberta)
HS&E	Health, Safety and Environment
IFRS	International Financial Reporting Standards
Iroquois System	A natural gas pipeline system in New York and Connecticut
ISO	International Organization of Standardization
Keystone Canada	TransCanada Keystone Pipeline Limited Partnership
Keystone Oil Pipeline	A 3,456 km (2,147 mile) oil pipeline project currently under construction that will initially transport crude oil from Hardisty, Alberta to U.S. Midwest markets at Wood River and Patoka in Illinois, and to Cushing, Oklahoma
Keystone U.S.	TransCanada Keystone Pipeline, LP
LNG	Liquefied Natural Gas
MD&A	TCPL's Management's Discussion and Analysis dated February 23, 2009
mmcf/d	Million cubic feet per day
Moody's	Moody's Investors Service, Inc.
MW	Megawatts
NBPL	Northern Border Pipeline Company
NBPL System	A natural gas transmission system located in the upper Midwestern portion of the U.S.
NEB	National Energy Board
NGTL	Nova Gas Transmission Limited
North Baja	A natural gas pipeline in southern California
NOx	Nitrogen oxides
NYSDOS	New York Department of State
NYSE	New York Stock Exchange
Portland System	A natural gas pipeline that runs through Maine and New Hampshire into Massachusetts
Portlands Energy Centre	A natural gas-fired combined-cycle power plant near downtown Toronto, Ontario
PPA	Power Purchase Arrangement
Proxy Circular	TransCanada's Management Proxy Circular dated February 23, 2009
Ravenswood	Ravenswood Generating Station
Ravenswood Agreement	Membership interest and stock purchase agreement between KeySpan Corporation, TransCanada Facility USA, Inc. and KeySpan Energy Corporation dated March 31, 2008
RGGI	Regional Greenhouse Gas Initiative
S&P	Standard and Poor's
SEC	United States Securities and Exchange Commission
SGER	Specified Gas Emitters Regulation
Sheerness	A power plant consisting of two 390 MW coal-fired thermal powered generating units
Sundance	Two coal fired electrical generating facilities which produce 560 MW and 706 MW, respectively
TCPL or the Company	TransCanada PipeLines Limited
TQM	Trans Québec & Maritimes Pipeline Inc.
TransCanada	TransCanada Corporation
TSX	Toronto Stock Exchange
Tuscarora	Tuscarora Gas Transmission Company
Tuscarora System	A natural gas pipeline that runs from Oregon through northeast California to Reno, Nevada
U.S.	United States
WCI	Western Climate Initiative
Year End	December 31, 2008

SCHEDULE "A"

METRIC CONVERSION TABLE

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

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

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

SCHEDULE "B"

DISCLOSURE OF CORPORATE GOVERNANCE PRACTICES

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

Board of Directors

The Board believes that, as a matter of policy, there should be a majority of independent directors on TCPL's Board. The Board is charged with making this determination based on the annual review conducted by the Governance Committee. The Board is currently comprised of 13 directors, of whom 12 (92%) were determined by the Board in 2008 to be independent directors. Thirteen nominees are being put forward for election at the Meeting, 12 (92%) of whom have been determined by the Board to be independent. The Board annually determines the independent status of each of its members and each nominee for election, based on a written set of criteria developed in accordance with the definition of "independent" in the Canadian Audit Committee Rules and the Canadian Governance Guidelines. The independence criteria also conforms with the applicable rules of the SEC, the NYSE and those set out under SOX. The Board has determined that none of the nominees for director, with the exception of Mr. Kvisle, have a direct or indirect material relationship with TCPL that could interfere with their ability to act in the best interests of TCPL. Mr. Kvisle, as the President and CEO of TCPL, is not independent.

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

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

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

All reporting issuers of which the nominees are presently directors of, are set out in the table in TransCanada's Proxy Circular under the heading "Nominees for Election to the Board of Directors" under the headings "Other Public Board Directorships" and "Other Public Board Committee Memberships". TCPL believes that due to the specialized nature of the industry, it is important for its Board to be composed of qualified and knowledgeable directors.

In 2008, independent directors of the Board met separately after every regularly scheduled meeting. There were eight such meetings during 2008. In addition, all of the directors are available to meet with management as required.

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

Director attendance at Board and committee meetings has been excellent and during 2008, all directors demonstrated a strong commitment to their roles and responsibilities. The overall attendance rate was 99% at Board meetings and an average of 95% at committee meetings. Specific attendance statistics are set out with each director's biography in TransCanada's Proxy Circular under the heading "Nominees for Election to the Board of Directors".

Board Mandate

The Board discharges its responsibilities directly and through committees. At regularly scheduled meetings, members of the Board and management discuss a broad range of issues relevant to TCPL's strategy and business interests and the Board is responsible for the approval of TCPL's strategic plan. In addition, the Board receives reports from management on TCPL's operational and financial performance. The Board had eight scheduled meetings in 2008. Unscheduled meetings are held from time to time as required; there were two unscheduled meetings of the Board in 2008. There were also two strategic issue sessions and one full-day strategic planning session of the Board held in 2008.

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

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

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

Position Descriptions

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

The Human Resources Committee and the Board annually review and approve the CEO's personal performance objectives and review with him his performance against the previous year's objectives. The Human Resources Committee's compensation discussion and analysis can be found attached to TCPL's AIF at Schedule "F" under the heading "Compensation Discussion and Analysis".

Orientation and Continuing Education

New directors are provided with an orientation and education program that includes a directors' manual containing information about the duties and obligations of directors, the business and operations of TCPL, copies of governance charters, copies of past public filings and documents from recent Board meetings. New directors are given additional historical and financial information, a session on corporate strategy, are provided opportunities to visit TCPL's facilities and project sites, and are provided with opportunities for meetings and discussions with the executive leadership team and other directors. Briefing sessions are also held for new committee members, as appropriate. The directors' manual and the director induction and continuing education process are reviewed annually by the Governance Committee. The details of the orientation of each new director are tailored to each director's individual needs and expressed areas of interest. In 2008, Audit Committee members received a special tutorial in International Financial Reporting Standards.

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

Board Access to Senior Management

Board members have complete access to the Company's management, subject to reasonable advance notice to the Company and reasonable efforts to avoid disruption to the Company's management, business and operations. The Board encourages management to include key managers in Board meetings who can share their expertise with respect to matters before the Board. This also enables the Board to gain exposure to key managers with future potential in the Company.

Ethical Business Conduct

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

The Board has also adopted a code of business ethics for directors which incorporates as its basis, principles of good conduct and highly ethical behaviour. TCPL has adopted a code of business ethics for its employees and separate codes applicable to its CEO, Chief Financial Officer and Controller, all of which are certified on an annual basis. Compliance with the Company's various codes is monitored by the Audit Committee and reported to the Board. Any waiver of the codes of business ethics by executive officers or directors must be approved by the Board or appropriate committee and disclosed. There have been no material departures from these codes in 2008. TCPL's codes of business ethics may be viewed on TransCanada's website at www.transcanada.com.

Nomination of Directors

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

The Governance Committee regularly assesses the skill set of current board members against a list of potentially desirable skills and experience to be sought when recruiting new directors to the Board.

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

Further information relating to the Governance Committee can be found attached to TCPL's AIF at Schedule "D" under the heading "Board Committees and Their Charters - Governance Committee".

Compensation

The Governance Committee, which is composed entirely of independent directors, reviews the compensation of the directors on an annual basis, taking into account such matters as time commitment, responsibility, and compensation provided by comparable companies, and makes an annual recommendation to the Board for consideration. Towers Perrin provides an annual report on directors' compensation paid by comparable companies to facilitate the Governance Committee's review of director compensation. Directors may receive their annual retainer, committee and/or chair fees in the form of cash and/or Deferred Share Units. With the exception of Mr. Kvisle, who follows the Share Ownership Guidelines for executives, Directors must hold a minimum of five times their annual cash retainer fee in common shares or related Deferred Share Units of TransCanada. Directors have a maximum of five years from the time they join the Board to reach this level of share ownership. The value of ownership levels is recalibrated when the annual cash retainer is increased.

The Human Resources Committee, which is composed entirely of independent directors, is accountable, on behalf of the Board to determine the compensation for the executive officers of TCPL and to recommend to the Board the remuneration package for the CEO. The Human Resources Committee reviews the executive compensation disclosure prior to publicly disclosing this information. The process the Human Resources Committee uses for these determinations can be found in TCPL’s AIF under Schedule "F" under the heading "Compensation Discussion and Analysis".

Further information relating to the Human Resources Committee can be found in TCPL’s AIF at Schedule "D" under the heading "Board Committees and Their Charters - Human Resources Committee".

Information relating to compensation consulting services provided by Towers Perrin during the 2008 financial year can be found in TCPL’s AIF at Schedule "F" under the heading "Compensation Discussion and Analysis – The Role of the External Compensation Consultant".

Other Board Committees

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

Assessments

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

The questionnaire examines the effectiveness of the Board as a whole, and of each committee, and solicits input on areas of potential vulnerability or areas that members believe could be improved or enhanced to ensure the continued effectiveness of the Board and its committees. The questionnaire also includes questions regarding personal and peer individual performance. Each committee also conducts an annual self-assessment, based on specific questions in the annual questionnaire. Responses are provided to the Chair and collated results are distributed to directors and discussed at the Board.

The annual questionnaire and individual director's terms of reference are then used in the evaluation of the contribution of individual directors. Formal interviews with each director and each member of TCPL's executive leadership team are carried out annually by the Chair. The Chair of the Governance Committee also interviews each director annually on his or her assessment of the Chair's performance. Each of these assessments are reported annually to the full Board. The Governance Committee monitors and discusses external assessments of Board governance and regularly monitors the literature on evolving best practice in corporate governance.

Financial Literacy of Directors

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

Majority Voting for Directors

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

SCHEDULE "C"

CHARTER OF THE AUDIT COMMITTEE

1. Purpose

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

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

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

2. Roles and Responsibilities

I. Appointment of the Company's External Auditors

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

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

II. Oversight in Respect of Financial Disclosure

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

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

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

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

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

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

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

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

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

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

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

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

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

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

III. Oversight in Respect of Legal and Regulatory Matters

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

IV. Oversight in Respect of Internal Audit

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

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

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

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

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

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

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

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

and to report to the Board on such meetings;

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

V. Insight in Respect of the External Auditors

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

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

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

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

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

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

and to report to the Board on such meetings;

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

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

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

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

(i) ensure the rotation of the lead (or coordinating) audit partner having primary responsibility for the audit and the audit partner responsible for reviewing the audit as required by law, but at least every five years;

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

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

- (i) the aggregate amount of all such non-audit services provided to the Company constitutes not more than 5% of the total fees paid by the Company and its subsidiaries to the external auditor during the fiscal year in which the non-audit services are provided;
- (ii) such services were not recognized by the Company at the time of the engagement to be non-audit services; and
- (iii) such services are promptly brought to the attention of the Audit Committee and approved prior to the completion of the audit by the Audit Committee or by one or more members of the Audit Committee to whom authority to grant such approvals has been delegated by the Audit Committee;

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

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

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

VII. Oversight in Respect of Certain Policies

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

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

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

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

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

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

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

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

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

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

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

IX. Oversight in Respect of Internal Administration

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

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

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

X. Oversight Function

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

3. Composition of Audit Committee

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

4. Appointment of Audit Committee Members

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

5. Vacancies

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

6. Audit Committee Chair

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

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

(b) preside over meetings of the Audit Committee;

(c) ensure the Committee has sufficient information to permit it to properly discharge its duties and responsibilities;

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

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

7. Absence of Audit Committee Chair

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

8. Secretary of Audit Committee

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

9. Meetings

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

10. Quorum

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

11. Notice of Meetings

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

12. Attendance of Company Officers and Employees at Meeting

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

13. Procedure, Records and Reporting

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

14. Review of Charter and Evaluation of Audit Committee

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

15. Outside Experts and Advisors

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

16. Reliance

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

SCHEDULE "D"

DESCRIPTION OF BOARD COMMITTEES AND THEIR CHARTERS

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

Each of the committees has the authority to retain advisors to assist in the discharge of its respective responsibilities. Each of the committees reviews its respective charter at least annually and, as required, recommends changes to the Governance Committee and to the Board. Each of the committees also reviews its respective performance annually.

Each of the committees has a charter which is published on TransCanada's website at www.transcanada.com.

CHAIR'S PARTICIPATION IN COMMITTEES

Mr. S.B. Jackson, the Chair of the Board, is an independent director. The Chair is appointed by the Board and serves in a non-executive capacity. The Chair was a non-voting member of all committees of the Board up until October 29, 2007. After that date, the Board adopted the practice of holding simultaneous meetings of certain committees and as a result, the Chair remained a non-voting member of the Governance and Human Resources Committees. The simultaneous sitting of certain committees allows more time to be available for each committee to focus on its respective responsibilities.

AUDIT COMMITTEE

Chair: *K.E. Benson*
Members: *D.H. Burney, P. Gauthier, P.L. Joskow, J.A. MacNaughton, D.M.G. Stewart*

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

Audit Committee information as required under the Canadian Audit Committee Rules (as defined in Schedule "A" of this Proxy Circular) is contained in TCPL's Annual Information Form for the year ending December 31, 2008 in the section "Corporate Governance - Audit Committee". Audit committee information includes the charter, committee composition, relevant education and experience of each member, reliance on exemptions, financial literacy of each member, committee oversight, pre-approval policies and procedures, and external auditor service fees by category. The Annual Information Form is available on SEDAR at www.sedar.com under TCPL's profile and is published on TransCanada's website at www.transcanada.com.

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

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

There were eight meetings of the Audit Committee in 2008 (seven regularly scheduled, one special and one training session in relation to International Financial Reporting Standards (IFRS)).

GOVERNANCE COMMITTEE
Chair: *W.K. Dobson*
Members: *D.H. Burney, P.L. Joskow, J.A. MacNaughton, D.P. O'Brien*

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

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

The committee monitors best governance practice and ensures any corporate governance concerns are raised with management. The committee ensures the Company has a best practice orientation package and monitors continuing education for all directors. In addition, the Committee has responsibility for oversight of the Company's Strategic Planning process.

There were three meetings of the Governance Committee in 2008.

HUMAN RESOURCES COMMITTEE
Chair: *W.T. Stephens*
Members: *W.K. Dobson, E.L. Draper, K.L. Hawkins, D.P. O'Brien*

This committee is comprised of five independent directors and is mandated to review the Company's human resources policies and plans, monitor succession planning and to assess the performance of the Chief Executive Officer and other senior officers of TCPL against pre-established performance objectives. The committee approves the salary and other remuneration to be awarded to senior executive officers of TCPL. A report on senior management development and succession is prepared annually for presentation to the Board. The committee reports to the Board with recommendations on the remuneration package for the CEO and reviews the CEO's objectives on an annual basis. The committee approves all longer-term compensation including stock options and any major changes to TCPL's compensation and benefit plans. The committee considers and approves any changes to TCPL's pension plans relating to benefits provided under these plans. The Committee is also responsible for the review of the executive share ownership levels.

There were four meetings of the Human Resources Committee in 2008.

HEALTH, SAFETY AND ENVIRONMENT COMMITTEE
Chair: *E.L. Draper*
Members: *P. Gauthier, K.L. Hawkins, W.T. Stephens, D.M.G. Stewart*

This committee is comprised of five independent directors and is mandated to monitor the health, safety, security and environmental practices and procedures of TCPL and its subsidiaries for compliance with applicable legislation, conformity with industry standards and prevention or mitigation of losses. The committee also considers whether the implementation of TCPL's policies related to health, safety, security and environmental matters are effective, including policies and practices to prevent loss or injury to TCPL's employees and its assets, networks or infrastructure from malicious acts, natural disasters or other crisis situations. The committee reviews reports and, when appropriate, makes recommendations to the Board on TCPL's policies and procedures related to health, safety, security and the environment. This committee meets separately with officers of TCPL and its business units who have responsibility for these matters and reports to the Board on such meetings.

There were three meetings of the Health, Safety and Environment Committee in 2008.

SCHEDULE "E"

CHARTER OF THE BOARD OF DIRECTORS

I. INTRODUCTION

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

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

II. COMPOSITION AND BOARD ORGANIZATION

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

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

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

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

III. DUTIES AND RESPONSIBILITIES

A. Managing the Affairs of the Board

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

i) planning its composition and size;

ii) selecting its Chair;

iii) nominating candidates for election to the Board;

iv) determining independence of Board members;

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

vi) determining director compensation; and

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

B. Management and Human Resources

The Board has the responsibility for:

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

ii) approving a position description for the CEO;

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

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

- a) appointment and discharge of officers of the Company and members of the senior leadership team;
- b) compensation and benefits for members of the senior leadership team;
- c) acceptance of outside directorships on public companies by executive officers (other than not-for-profit organizations);
- d) annual corporate and business unit performance objectives utilized in determining incentive compensation or other awards to officers; and
- e) employment contracts, termination and other special arrangements with executive officers, or other employee groups if such action is likely to have a subsequent material[1] impact on the Company or its basic human resource and compensation policies.

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

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

- a) the annual salary policy/program for employees;
- b) new benefit programs or changes to existing programs that would create a change in cost to the Company in excess of $10,000,000 annually;
- c) pension fund investment guidelines and the appointment of pension fund managers; and
- d) material benefits granted to retiring employees outside of benefits received under approved pension and other benefit programs.

C. Strategy and Plans

The Board has the responsibility to:

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

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

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

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

v) approve material divestitures and acquisitions; and

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

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

D. Financial and Corporate Issues

The Board has the responsibility to:

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

ii) monitor operational and financial results;

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

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

v) declare dividends;

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

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

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

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

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

xi) approve spending authority guidelines; and

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

E. Business and Risk Management

The Board has the responsibility to:

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

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

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

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

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

F. Policies and Procedures

The Board has responsibility to:

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

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

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

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

G. Compliance Reporting and Corporate Communications

The Board has the responsibility to:

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

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

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

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

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

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

IV. GENERAL LEGAL OBLIGATIONS OF THE BOARD OF DIRECTORS

A. The Board is responsible for:

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

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

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

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

SCHEDULE "F"

COMPENSATION DISCUSSION AND ANALYSIS

The following information is excerpted from TransCanada's Proxy Circular. Unless as otherwise defined in this Schedule "F", all capitalized terms used from herein shall have the same meaning ascribed to them in TransCanada's Proxy Circular.

This section explains how our executive compensation program is designed and operated with respect to our President and CEO (referred to as "CEO" in the narrative discussion in this section and under the section entitled "Executive Compensation Tables"), Chief Financial Officer ("CFO"), and the three other most highly compensated executives included in this reported financial year (collectively referred to as our "Executive Officers"). This section also identifies the objectives and material elements of compensation awarded to the Executive Officers and the reasons supporting such awards. For a complete understanding of our executive compensation program, this Compensation Discussion and Analysis should be read in conjunction with the Summary Compensation Table and other executive compensation-related disclosure included in this Schedule "F".

SUMMARY FOR 2008

The Human Resources Committee of the Board of Directors (the "HR Committee") utilizes a pay-for-performance philosophy to determine market competitive Total Direct Compensation for our Executive Officers that is commensurate with results generated by the Company for its shareholders. Total Direct Compensation represents the combined value of fixed compensation and performance-based variable incentive compensation. To attract and retain top talent, fixed compensation is generally targeted at the median of our comparator market and performance recognition occurs through the delivery of variable short and longer-term incentive compensation.

In evaluating 2008 corporate performance, the HR Committee considered a number of qualitative and quantitative factors including financial results, the quality of earnings, execution of on-going projects and transactions, safety, operational performance and progress on key growth initiatives. For 2008, the HR Committee determined the overall corporate performance rating to be "above target". This rating did not trigger any specific awards but rather served to provide general context for the HR Committee's subsequent review of the Executive Officers' individual performance. The Total Direct Compensation decisions made by the HR Committee in 2009 following the assessment of performance in 2008 are noted in the section "Compensation Decisions Made for 2008 – Total Direct Compensation Awards", below.

Additionally, the 2006 performance share unit grant vested on December 31, 2008. The HR Committee considered the results achieved against the pre-established three-year performance objectives for that grant and determined that 100% of outstanding units would vest for payment. This represents a level of performance that is "at target". More information regarding the 2006 performance share unit grant is noted in the section "Compensation Decisions Made for 2008 – Mid-term Incentive Performance", below.

COMPENSATION PHILOSOPHY

TransCanada's executive compensation program has the following objectives:

- to provide a compensation package that proportionally rewards individual contributions in light of overall business results;
- to be competitive in level and form with the external market;
- to align executives' interests with shareholders and customers; and
- to support the attraction, engagement and retention of executives.

Market Benchmarking

Market competitive compensation is a key objective of the executive compensation program. During compensation deliberations, the HR Committee considers comparable market data from Canadian-based energy companies that are generally of similar size and scope to TransCanada, and represent the market in which TransCanada may compete for talent (the "Comparator Group").

The composition of the Comparator Group is reviewed annually by the HR Committee for its on-going business relevance to TransCanada. An overview of the 2008 characteristics of the Comparator Group, as compared to TransCanada's 2008 characteristics, is provided in the following table:

	TRANSCANADA	COMPARATOR GROUP	
INDUSTRY	North American Pipelines, Power	Canadian Oil and Gas, Pipelines, Power, Utilities	
LOCATION	Calgary	Principally Alberta	
		MEDIAN	**75th PERCENTILE**
REVENUE(1)	$8.8 billion	$7.7 billion	$15.3 billion
MARKET CAPITALIZATION(2)	$19.2 billion	$14.7 billion	$26.4 billion
ASSETS(1)	$30.3 billion	$13.5 billion	$21.6 billion
EMPLOYEES(1)	Approximately 3,600	2,795	5,397

(1) Revenue, assets and number of employees reflect 2007 information.

(2) Market Capitalization value noted is calculated as at December 31, 2008 by multiplying the monthly closing price by the quarterly common shares outstanding for the most recently available quarter.

The members of the Compensation Comparator Group for 2008 were as follows:

- Alliance Pipeline Ltd.
- ATCO Ltd. & Canadian Utilities Limited
- BP Canada Energy Company
- Canadian Natural Resources Ltd.
- Chevron Texaco Canada Resources
- ConocoPhillips Canada Resources Ltd.
- Devon Canada Corporation
- Emera Inc.
- Enbridge Inc. / Enbridge Pipelines Inc.
- EnCana Corporation
- EPCOR Utilities Inc.
- ExxonMobil Canada
- Fortis Inc.
- Husky Energy Inc.
- Imperial Oil Ltd.
- Kinder Morgan Canada Inc.
- Nexen Inc.
- Petro-Canada
- Shell Canada Ltd.
- Spectra Energy
- Suncor Energy Inc.
- Syncrude Canada Ltd.
- Talisman Energy Inc.
- TransAlta Corporation

The compensation data from the Comparator Group (the "Comparator Market Data") provides the initial reference point for the HR Committee. The annual Total Direct Compensation value an Executive Officer is awarded will vary based on an assessment of their individual performance (as described below) and in accordance with the following guidelines:

IF PERFORMANCE…		**TOTAL DIRECT COMPENSATION…**
meets objectives	→	will be comparable to median Total Direct Compensation market data
exceeds objectives	→	will be comparable to above-median market data(1)
falls short of objectives	→	market positioning will be adjusted downward from the previous year(2)

(1) The degree to which an Executive Officer's Total Direct Compensation value is positioned above the median is relative to his or her assessed individual performance level.

(2) The degree to which the pay is adjusted downward is also relative to individual performance. The adjustment is typically made through variable rather than fixed compensation.

COMPENSATION DECISION-MAKING PROCESS

The Role of the HR Committee

The HR Committee approves, or recommends for approval, all remuneration to be awarded through the executive compensation program to the Executive Officers. The HR Committee directs management to gather information on its behalf, and provide initial analysis and commentary. The HR Committee reviews this material along with other information received from external advisors in its deliberations before considering or rendering decisions. The HR Committee has full discretion to adopt or alter management recommendations or to consult its own external advisors.

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

- holding in-camera sessions without Company management present prior to and following every regularly scheduled HR Committee meeting;
- hiring external consultants and advisors and requiring their attendance at specified HR Committee meetings;
- annually approving a checklist that sets out the timetable of all regularly occurring accountabilities for the HR Committee which provides context for the discussion of related items; and
- using a two-step review process where items are provided for the HR Committee's initial review at a meeting prior to the approval meeting.

The Role of Management

Executive management plays an important role in our executive compensation decision-making process, due to their direct involvement in and knowledge of the business goals, strategies, experiences and performance of the Company and its various key business areas. The HR Committee engages in active discussions with the CEO concerning the determination of performance objectives, including individual goals and initiatives for Executive Officers who directly report to the CEO. Further discussions consider whether, and to what extent, criteria for the previous year have been achieved for those individuals. The CEO may also provide a self-assessment of his own individual performance objectives and/or results achieved, if requested by the HR Committee.

The CEO makes recommendations to the HR Committee regarding the level and form of compensation awards for his direct reports. The CEO does not engage in discussions with the HR Committee regarding his own Total Direct Compensation. Human Resources management provides the HR Committee and the Chair of the Board with relevant market data and other information as requested, in order to support the HR Committee’s deliberations regarding the CEO’s Total Direct Compensation and subsequent recommendation to the Board.

The Role of the External Compensation Consultant

The HR Committee engages the services of an individual consultant (the "Consultant") from Towers Perrin to provide executive compensation consulting services. The mandate of the Consultant is to provide an assessment of management's proposals relating to the compensation of the Executive Officers, attend all HR Committee meetings (unless otherwise requested by the HR Committee Chair), and, at the request of the HR Committee Chair, provide data, analysis or opinion on compensation-related matters under consideration by the HR Committee.

In 2008, the Consultant provided services to the HR Committee in accordance with this mandate and attended portions of all HR Committee meetings, as requested by the Chair of the HR Committee. The fees paid to Towers Perrin in 2008 for the Consultant's services to the HR Committee were approximately $81,000. The performance of the Consultant is reviewed and the engagement is approved by the HR Committee on an annual basis.

Under the mandate, the Consultant could also provide advice to management on significant changes to compensation philosophy or programs, or other compensation matters of the Company if the work was directed or approved by the Chair of the HR Committee. These additional services were not provided by the Consultant to TransCanada in 2008. In 2008, other consultants employed by Towers Perrin provided the Company with executive and non-executive compensation analysis, Board compensation analysis, benefit and pension actuarial consulting services for both U.S. and Canadian operations and the fees paid for these services were approximately $2.1 million. All service fees and related expenses paid to Towers Perrin, including those for the services of the Consultant, are reviewed by the HR Committee.

Performance Assessment

For Executive Officers, the HR Committee intentionally uses a compensation program premised on the sound judgment and absolute discretion of the HR Committee. The HR Committee is of the view that formulas and weightings applied to forward-looking annual and longer-term performance objectives may lead to unintended consequences for compensation purposes. For this reason, there are no pre-established weightings applied to objectives or formulaic calculations used to determine compensation awards for Executive Officers.

The HR Committee's comprehensive assessment of the overall business performance of TransCanada, including corporate performance against objectives (both quantitative and qualitative), business circumstances and, where appropriate, relative performance against peers, provides the context for individual Executive Officer evaluations for all direct compensation awards.

Corporate Performance

TransCanada's Board approves annual corporate objectives aligned with achieving the annual results required to deliver on TransCanada's key longer-term strategies for growth and value creation. These quantitative and qualitative objectives are captured, at a high level, in a corporate objectives summary document which is utilized by the HR Committee as a reference for compensation decision-making. The corporate objectives summary includes specific corporate financial objectives and captures the general qualitative objectives for key business areas.

At the end of each year, the HR Committee reviews the results achieved and discusses them with management. For the purposes of Total Direct Compensation deliberations, the HR Committee then determines an overall rating for actual corporate performance relative to an expected level of performance. This overall corporate performance rating provides general context for the HR Committee's review of individual performance by the Executive Officers.

A summary of the 2008 corporate performance results are noted in the section "Compensation Decisions Made for 2008 – Overall Corporate Performance", below.

Individual Performance

The HR Committee approves annual individual performance objectives for the Executive Officers that are intended to align with the corporate objectives and reflect "key performance areas" for each executive relative to their specific role. As with the corporate objectives, individual Executive Officer's performance objectives may include a combination of quantitative and qualitative measures with no pre-determined weightings.

The HR Committee, in consultation with the CEO, reviews the achievements and overall contribution of each individual Executive Officer who reports to the CEO. The Board Chair and HR Committee have in-camera discussions to complete an independent assessment of the performance of the CEO. The HR Committee then determines an overall individual performance rating for each individual Executive Officer and considers this rating in determining Total Direct Compensation.

Internal Equity and Retention Value

Executive Officer pay relative to other executives ("internal equity") is generally considered in establishing compensation levels. The difference between the CEO's compensation, the compensation of the Presidents and that of the other Executive Officers reflects, in part, the difference in their relative responsibilities. The CEO's responsibility for the management and oversight of the enterprise is greater than each of the President's respective business area portfolios. However, the Presidents' responsibilities are greater than those of other Executive Officers. As a result, the compensation level for our CEO is higher than for our Presidents, who in turn, have higher compensation levels than other Executive Officers.

The HR Committee also considers the retentive potential of its compensation decisions. Retention of the Executive Officers is critical to business continuity and succession planning.

Previously Awarded Compensation

The HR Committee approves or recommends compensation awards which are not contingent on the number, term or current value of other outstanding compensation previously awarded to the individual. The HR Committee believes that reducing or limiting current stock option grants, performance share units or other forms of compensation because of prior gains realized by an Executive Officer would unfairly penalize the officer and reduce the motivation for continued high achievement. Similarly, the HR Committee does not purposefully increase long-term incentive award values in a given year to offset less-than-expected returns from previous grants.

During the annual Total Direct Compensation deliberations, the HR Committee is provided with summaries of the three-year history of each Executive Officer's previously awarded Total Direct Compensation. These summaries help the HR Committee to track changes in an Executive Officer's Total Direct Compensation from year to year and to remain aware of the historical compensation for each individual.

To ensure that the Company's longer-term compensation programs are effective in delivering on the objectives of the compensation philosophy, the HR Committee annually reviews modeled compensation scenarios for the Executive Officers that illustrate the impact of various future corporate performance outcomes on previously awarded and outstanding compensation (i.e., "wealth accumulation analysis"). Following their review of this material in 2008, the HR Committee found that the relationship between pay and corporate performance was appropriate for all of the Executives and that, in aggregate, the resulting compensation modeled under various corporate performance scenarios was reasonable and delivered the intended differentiation of compensation value based on performance.

Share Ownership Guidelines

In support of the Company's compensation philosophy, the HR Committee believes that executives can more effectively represent the interests of shareholders if they have a considerable investment in the common shares of TransCanada, or their economic equivalent. The HR Committee has instituted share ownership guidelines (the "Guidelines") which encourage executives to achieve an ownership level in the Company that the HR Committee views as significant in relation to each executive's base salary.

The level of ownership can be achieved through the purchase of common shares, by participation in the TransCanada Dividend Reinvestment Plan or through unvested performance share units. The Guidelines require that at least 50% of the ownership level be in "actual shares" (i.e., TransCanada common shares or units of any TransCanada sponsored limited partnership). Unvested performance share units only count to a maximum of 50% of the ownership level.

Executives generally have five years to meet their ownership requirements based on either the date they are initially included under the Guidelines or when there is a material amendment made to the Guidelines. The HR Committee receives annual updates on executive ownership levels and conformity with the Guidelines. The following table sets out the Guideline ownership levels for the Executive Officers relative to their base salary as of December 31, 2008 and the 20-day volume-weighted average closing price of TransCanada's common shares at year end which was $32.97:

			ACTUAL GUIDELINE OWNERSHIP VALUE AS AT DECEMBER 31, 2008			
Name	Minimum Ownership Level(1)	Minimum Ownership Value ($)	Value from Performance Share Unit Plan Grants(2) ($)	Value from Common Shares or LP Units ($)	Total Value ($)	Multiple of Base Salary
H.N. Kvisle(3)	3 x	3,750,000	1,875,000	2,357,619	4,232,619	3.4
G.A. Lohnes	2 x	860,000	430,000	439,292	869,292	2.0
R.K. Girling	2 x	1,400,000	700,000	730,022	1,430,022	2.0
A.J. Pourbaix	2 x	1,400,000	700,000	691,612	1,391,612	2.0
D.M. Wishart	2 x	1,100,000	550,000	1,135,619	1,685,619	3.1

(1) Minimum ownership requirement is a multiple of base salary depending on the role of the executive. Other select executives of TransCanada have a minimum ownership requirement of either one-time or two-times base salary.

(2) Under the Guidelines, the value from unvested units from the performance share unit plan is counted only to a maximum of 50% of the minimum ownership requirement.

(3) Mr. Kvisle, Director, President and Chief Executive Officer, held 71,508 common shares as of TransCanada as of December 31, 2008.

The HR Committee annually reviews a summary of ownership levels under the Guidelines and in 2008, noted that all Executive Officers had met their minimum ownership requirements. Once an executive is deemed to have reached the minimum ownership requirement, the HR Committee uses discretion in the maintenance of this level in the event of subsequent share price fluctuations.

ELEMENTS OF COMPENSATION

Total Direct Compensation represents the combined value of fixed compensation and performance-based variable incentive compensation. Once determined, the value of Total Direct Compensation is allocated to four direct compensation elements: base salary, short-term incentive in the form of an annual cash bonus, mid-term incentives in the form of performance share units and long-term incentives in the form of stock options.

The allocation of Total Direct Compensation value to these different compensation elements is not based on a formula, but rather is intended to reflect market practices as well as the HR Committee's discretionary assessment of an Executive Officer's past contribution and ability to contribute to future short, medium and long-term business results.

Overview of Compensation Elements

Component of Total Direct Compensation	Type of Compensation	Element	Form	Performance Period
FIXED	Annual	Base salary	Cash	1 year
VARIABLE	Annual	Short-term incentive	Annual cash bonus	1 year
	Longer-term	Medium-term incentives	Performance share units	Up to 3 years with vesting at end of term
		Long-term incentives	Stock options	Vesting 33 1⁄3% each year for 3 years with a 7 year term

Base Salary

Base salary is the fixed portion of Total Direct Compensation and is designed to provide income certainty and to attract and retain executives. Base salaries for Executive Officers are reviewed annually and typically are positioned to align with the median of the Comparator Market Data. Variances from the median are determined by the HR Committee and may be based on individual performance, the scope of the executive's role within TransCanada, retention considerations and/or material differences in an Executive Officer's responsibilities compared with similar roles in the Comparator Group.

Short-term Incentives

The annual cash bonus is a short-term incentive that is intended to reward each Executive Officer for their yearly individual contribution and performance of personal objectives in the context of overall annual corporate performance. Target payout values are not pre-established by the HR Committee but consideration is given to Comparator Market Data when determining the payout amount. The annual cash bonus is designed to motivate executives to annually achieve personal business objectives, to be accountable for their relative contribution to the Company's performance, as well as to attract and retain executives.

Mid-term Incentives

Mid-term incentive compensation is provided through the granting of performance share units. This incentive arrangement is designed to motivate executives to achieve mid-term corporate objectives, align their interests with those of our shareholders and to attract and retain executives.

Executives receive a provisional grant of notional share units that is based on an allocated value of Total Direct Compensation divided by the price of TransCanada's common shares at the time of grant. During the three year grant term, granted share units accrue an amount equal to the aggregate value of quarterly dividends per common share declared and paid by TransCanada which is then reinvested in participants' accounts as additional share units. The vesting of these additional share units is subject to the same performance criteria as those units from the original grant.

The number of units that vest for payout is subject to the attainment of three-year corporate business performance objectives set by the HR Committee at the time of grant. The performance measures that will be used by the HR Committee to determine the vesting of the 2008 grant are:

- TransCanada's absolute total shareholder return ("TSR");
- relative TSR as compared to specified companies with which TransCanada may compete for capital;
- funds generated from operations per share; and
- earnings per share.

There are no pre-established weightings applied to these criteria nor are there formulaic calculations used to create the final performance achievement for the grant. The HR Committee uses judgment and discretion to assess overall performance in the context of the stated criteria and business circumstances surrounding the performance achieved.

At the end of the grant term, actual results are compared against the performance objectives and participant unit totals are adjusted as follows, based on this assessment:

PERFORMANCE LEVEL		UNITS VESTING(1)
Below threshold	→	zero units vest; no payment is made
At threshold	→	50% of units vest for payment
At target	→	100% of units vest for payment
At or above maximum	→	150% of units vest for payment

(1) If the actual performance achievement is determined by the HR Committee to align at a point between threshold and target, or target and maximum levels, the HR Committee will determine the number of units that vest on a *pro-rata* basis.

The resulting total vested units are then valued based on the price of TransCanada's common shares at the time of vesting. Executive Officers receive a cash payment, less statutory withholdings, for the total value of the vested units at the end of the grant term.

Long-term Incentives

Long-term incentive compensation is provided through the granting of stock options. This incentive arrangement is designed to motivate executives to achieve longer-term sustainable business results, align their interests with those of our shareholders and to attract and retain executives. Participants benefit only if the market value of TransCanada's common shares at the time of stock option exercise is greater than the exercise price of the stock options at the time of grant. Unless otherwise specified by the HR Committee at the time of grant, stock options vest 33 1⁄3% on each anniversary of the grant date for a period of three years and expire seven years from the grant date.

Stock Option Plan Information

Stock Option Granting Process

Generally, stock option grants are determined as part of the annual deliberation regarding Total Direct Compensation. The CEO makes recommendations to the HR Committee regarding individual stock option awards for all recipients. The CEO does not engage in discussions with the HR Committee regarding his own stock option grants. Human Resources management provides the HR Committee and the Chair of the Board with relevant market data and other information in order to support the HR Committee's deliberation regarding the CEO's stock option grant recommendation to the Board.

The HR Committee reviews the appropriateness of the stock option grant recommendations from the CEO for all eligible employees and accepts or adjusts these recommendations. The HR Committee is responsible for approving all individual stock option grants, including, on rare occasions, grants that are awarded outside the annual compensation deliberation process for such things as promotions or new hires. The HR Committee is also responsible for recommending to the Board for their approval any stock option grants for the CEO.

The HR Committee approves or recommends compensation awards, including stock option grants, which are not contingent on the number, term or current value of other outstanding compensation previously awarded to the individual.

Stock Option Plan Amendments

The HR Committee has the authority to suspend or discontinue the stock option plan at any time without shareholder approval. The HR Committee may also make certain amendments to the plan without shareholder approval, including such items as setting the vesting date of a given grant and changing the expiry date of an outstanding stock option which does not entail an extension beyond the original expiry date. No amendments can be made to the stock option plan that adversely affect the rights of any option holder regarding any previously granted options without the consent of the option holder.

Management does not have a right to amend, suspend or discontinue the stock option plan. The stock option plan also provides that certain amendments be approved by the shareholders of TransCanada as provided by the rules of the Toronto Stock Exchange ("TSX"). Among other things, shareholder approval is required to increase the number of shares available for issuance under the stock option plan, to lower the exercise price of a previously granted option, to cancel and reissue an option and to extend the expiry date of an option beyond its original expiry date. In 2008, the HR Committee approved various minor changes to improve the administrative efficiency of the stock option plan which did not require shareholder approval.

Other Compensation

Executive Officers receive other benefits that the Company believes are reasonable and consistent with its overall executive compensation program. These benefits, which are based on competitive market practices, support the attraction and retention of Executive Officers. Benefits include a defined benefit pension plan (as described below), traditional health and welfare programs and executive perquisites.

Our perquisite policy provides a limited number of perquisites to our Executive Officers. The Company normally gives each officer a specified dollar amount (also known as an allowance) which is received as a lump-sum cash payment and can be used for any purpose at the discretion of the Executive Officer. In 2008 the dollar amount of this allowance was $4,500 for each of the Executive Officers including the CEO. Executive Officers are also provided with memberships to a limited number of luncheon and/or recreation clubs.

Executive Officers who work at the Company's head office are eligible for a company-paid reserve parking stall which in 2008 was valued at $5,352. They also receive either an annual car allowance valued at $18,000, or a similarly-valued capital allowance towards a leased vehicle and reimbursement of associated operating expenses. Any non-policy perquisites are outlined in the discussion following the Summary Compensation Table (below).

COMPENSATION DECISIONS MADE FOR 2008

Overall Corporate Performance

For the purposes of Total Direct Compensation deliberations, the HR Committee reviewed the 2008 corporate performance results, including the information noted below. The HR Committee used this information to determine an overall rating to provide general context for the review of individual performance by the Executive Officers.

The following outlines key financial results and common share statistics for 2008. All values are expressed in Canadian dollars:

Key Financial Results (millions of dollars)	**2008**	**2007**
Net Income	$1,440	$1,223
Comparable Earnings[(1)]	$1,279	$1,100
Funds Generated From Operations[(1)]	$3,021	$2,621

Common Share Statistics	**2008**	**2007**
Net Income Per Share - Basic	$2.53	$2.31
Comparable Earnings Per Share - Basic[(1)]	$2.25	$2.08
Funds Generated From Operations Per Share - Basic[(1)]	$5.30	$4.95
Dividends Declared Per Share	$1.44	$1.36
Basic Common Shares Outstanding (millions)		
Average for the period	570	530
End of period	616	540
TSR (1 year)	(15.1%)	3.3%
TSR (3 year)	0.8%	51.5%

(1) Refer to the "Non-GAAP Measures" section of the 2008 Management Discussion & Analysis disclosure document for a further discussion of comparable earnings, comparable earnings per share and funds generated from operations.

Net income was $1.4 billion in 2008 or $2.53 per share which was an increase of approximately nine per cent on a per share basis compared to 2007. Comparable earnings for 2008 were $1.3 billion or $2.25 per share which was an increase of approximately eight per cent on a per share basis compared to 2007. Total funds generated from operations were $3.0 billion in 2008 or $5.30 per share which was an increase of approximately seven per cent on a per share basis compared to 2007.

Other notable accomplishments reviewed by the HR Committee included:

- Pipeline development achievements including significant advancement on the engineering, procurement and construction activities for the initial phase of the Keystone Oil Pipeline as well as the granting by the Alaska Commissioner of Revenue and Natural Resources of a license to TransCanada under the Alaska Gasline Inducement Act to advance the Alaska Pipeline project through an open season and subsequent Federal Energy Regulatory Commission certification;
- The acquisition by TransCanada of all the outstanding membership interests of the 2,480 MW Ravenswood Generating Facility in New York City from National Grid for US$2.8 billion, subject to certain post-closing adjustments; and
- The successful public offerings throughout 2008 of just under 65.3 million common shares that generated proceeds of approximately $2.4 billion that will be used to partially fund acquisitions and capital projects of the Company including, amongst others, the acquisition of the Ravenswood Generating Facility, the construction of the Keystone Oil Pipeline, for general corporate purposes and to repay short-term indebtedness.

Further information regarding TransCanada's corporate financial and business performance can be found in the "2008 Management Discussion and Analysis" disclosure document.

The HR Committee noted that although one-year and three-year TSR results were below expected levels, TransCanada's financial performance was strong in 2008 and demonstrated the Company's ability to generate significant earnings and cash flow during uncertain economic times. The cash flow generated by the Company's operating assets, along with recently completed debt and common share issuances, means TransCanada is well positioned to fund its sizable capital program. The HR Committee agreed that looking forward, TransCanada should be in a position to generate strong, long-term financial returns for shareholders as a result of the growing portfolio of high-quality energy infrastructure assets, proven project development and execution capabilities and the Company's strong financial position.

After considering these performance results, the HR Committee determined that overall corporate performance in 2008 was "above target" and that this rating would serve to provide context for the 2009 review of compensation for the Executive Officers. Individual performance of the Executive Officers is assessed based on the individual Executive Officer's contribution to the overall corporate performance level, relative to their specific role. There are no specific weightings or formulas used in the assessment of individual performance of the Executive Officers.

Although the Company demonstrated strong financial performance in 2008, the uncertainties in the global economy and volatility in the world stock markets present challenges for many companies, including TransCanada. In consideration of these market conditions, our HR Committee decided to use the following guiding principles during their 2009 Total Direct Compensation deliberations:

- no increases in base salaries for the Executive Officers;
- 2008 annual bonus payments that are reflective of each Executive Officer's contribution to TransCanada's strong overall corporate performance for the year; and
- no increase in overall long-term incentive value, except in cases where an increase is deemed warranted by the HR Committee.

In addition, the HR Committee approved 2009 corporate performance objectives that continue to focus on achieving the annual results required to deliver on TransCanada's key longer-term strategies for growth and value creation.

Mid-term Incentive Performance

The 2006 performance share unit grant vested on December 31, 2008. As noted in the section above entitled, "Overview of Compensation Elements – Mid-term Incentives", the plan provides for payouts from zero to 150% of units based on the HR Committee's assessment of performance over the course of the three-year grant term. Based on the following results, the HR Committee determined a final performance rating of "at target" which meant that 100% of each participant's total performance share units were vested for payout:

- absolute TSR over the course of the grant term was below target performance;

- TransCanada's relative TSR performance was below target;
- results for funds generated from operations were significantly above target; and
- earnings per share performance was significantly above target.

More information regarding the performance share unit payout for the Named Executive Officers can be found in the "Value Vested During the Year" table, below.

Total Direct Compensation Awards

The following tables outline the compensation awarded to the Executive Officers in 2009 and 2008 for overall performance in 2008 and 2007 respectively, as determined by the HR Committee during the annual deliberations regarding Total Direct Compensation. This information is supplemental to that which is required in the Summary Compensation Table.

		FIXED COMPENSATION ($)		VARIABLE COMPENSATION ($)						TOTAL DIRECT COMPENSATION (TDC) ($)	
Name	Year Of Award[1]	Annual Base Salary [2]	% Change	Annual Cash Bonus [3]	% Change	Performance Share Unit Grant	% Change	Stock Option Grant	% Change	TDC	% Change
H.N. Kvisle	2009	1,250,000	*0%*	1,850,000	*19%*	3,040,000	*1%*	960,000	*(4%)*	7,100,000	*4%*
	2008	1,250,000		1,550,000		3,000,000		1,000,000		6,800,000	
G.A. Lohnes	2009	430,000	*0%*	550,000	*12%*	584,000	*7%*	216,000	*18%*	1,780,000	*8%*
	2008	430,000		490,000		547,500		182,500		1,650,000	
R.K Girling	2009	700,000	*0%*	950,000	*6%*	1,520,000	*1%*	480,000	*(4%)*	3,650,000	*1%*
	2008	700,000		900,000		1,500,000		500,000		3,600,000	
A.J. Pourbaix	2009	700,000	*0%*	900,000	*0%*	1,520,000	*1%*	480,000	*(4%)*	3,600,000	*0%*
	2008	700,000		900,000		1,500,000		500,000		3,600,000	
D.M. Wishart	2009	550,000	*0%*	600,000	*9%*	1,014,000	*13%*	336,000	*12%*	2,500,000	*9%*
	2008	550,000		550,000		900,000		300,000		2,300,000	

(1) The year when compensation is awarded following the assessment of performance from the prior year (e.g., 2009 Total Direct Compensation awards are made following an assessment of the performance results achieved in 2008).

(2) This column represents the annual base salary rate that is effective as at April 1 of the noted year.

(3) The total lump-sum cash award made for performance attributable to the prior year, and paid in the first quarter of the noted year.

Total Direct Compensation Pay Mix

The following table provides the "pay mix" of the Total Direct Compensation awarded in 2009 and 2008 for each of the Executive Officers. "Pay mix" is the resulting relative value of each compensation element following the allocation of Total Direct Compensation value. It is expressed as percentage of Total Direct Compensation.

Name	Year of Award[1]	% of TDC from Annual Base Salary [2]	% of TDC from Annual Cash Bonus [3]	% of TDC from Performance Share Unit Grant	% of TDC from Stock Option Grant
H.N. Kvisle	2009	18	26	42	14
	2008	18	23	44	15
G.A. Lohnes	2009	24	31	33	12
	2008	26	30	33	11
R.K Girling	2009	19	26	42	13
	2008	19	25	42	14
A.J. Pourbaix	2009	19	25	43	13
	2008	19	25	42	14
D.M. Wishart	2009	22	24	41	13
	2008	24	24	39	13

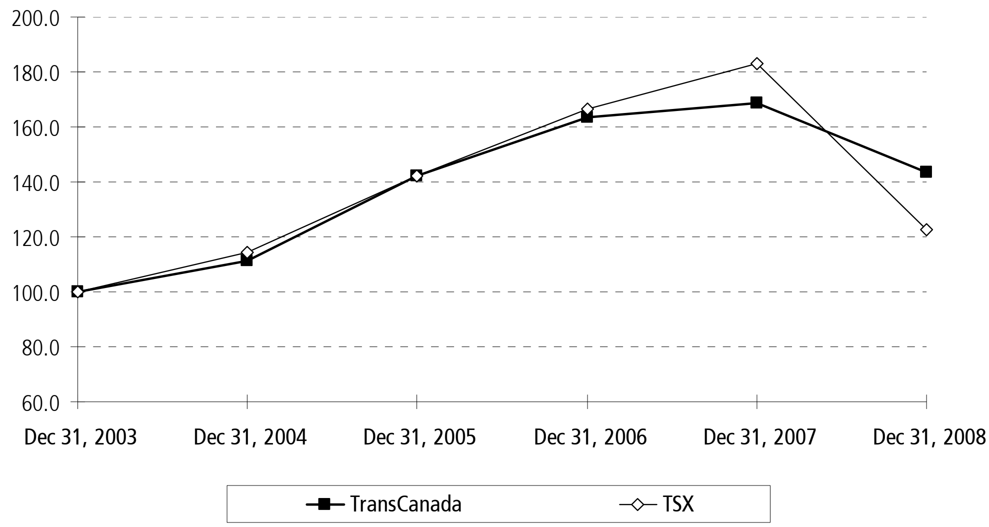
(1) The year when compensation is awarded as a result of performance assessed from the prior year (e.g., 2009 Total Direct Compensation awards are pursuant to performance results achieved in 2008).

(2) This column represents the annual base salary rate that is effective as at April 1 of the noted year.

(3) The total lump-sum cash award made for performance attributable to the prior year, and paid in the first quarter of the noted year.

PERFORMANCE GRAPH

The following chart compares TransCanada's five-year cumulative TSR to the S&P/TSX composite index (assuming reinvestment of dividends and considering a $100 investment on December 31, 2003 in TransCanada's common shares).



	Dec. 31, 2003	Dec. 31, 2004	Dec. 31, 2005	Dec. 31, 2006	Dec. 31, 2007	Dec. 31, 2008	Compound Annual Growth
TransCanada	100.0	111.5	142.3	163.5	168.9	143.4	7.5%
TSX	100.0	114.5	142.1	166.6	183.0	122.6	4.2%

As noted above, the HR Committee considers a number of factors and performance elements when determining compensation for the Executive Officers. Although TSR is one performance measure that is reviewed, it is not the only consideration in executive compensation deliberations. As a result, a direct correlation between TSR over a given period and executive compensation levels is not anticipated.

EXECUTIVE COMPENSATION TABLES

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

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

SUMMARY COMPENSATION TABLE

The following table outlines the summary of compensation received by the Executive Officers during or for the 2008, 2007, and 2006 financial years:

					Non-equity Incentive Plan Compensation				
Name and Principal Position (a)	Year (b)	Salary[4] ($) (c)	Share-based Awards[5] ($) (d)	Option-based Awards[6] ($) (e)	Annual Incentive Plans[7] ($) (f1)	Long-term Incentive Plans[8] ($) (f2)	Pension Value[9] ($) (g)	All Other Compensation[10] ($) (h)	Total Compensation ($) (i)
H.N. Kvisle	2008	1,237,503	3,000,000	1,000,000	1,850,000	702,000	753,000	12,354	8,554,857
President & Chief Executive	2007	1,175,001	2,378,696	771,304	1,550,000	663,000	1,324,000	11,708	7,873,709
Officer	2006	1,100,004	1,917,500	782,500	1,500,000	619,125	713,000	11,000	6,643,129
G.A. Lohnes	2008	415,008	547,500	182,500	550,000	79,200	349,000	110,682	2,233,890
Executive Vice-President & Chief	2007	362,508	422,878	137,122	490,000	104,742	181,000	158,061	1,856,311
Financial Officer	2006[1]	318,829	141,164	186,320	320,001	97,810	626,000	267,429	1,957,553
R.K. Girling	2008	682,506	1,500,000	500,000	950,000	396,000	352,000	6,796	4,387,302
President, Pipelines	2007	602,502	1,261,088	408,912	900,000	408,220	594,000	5,979	4,180,702
	2006[2]	498,346	618,300	566,700	700,000	381,206	384,000	28,192	3,176,744
A.J. Pourbaix	2008	682,506	1,500,000	500,000	900,000	255,600	343,000	66,796	4,247,902
President, Energy	2007	602,502	1,261,088	408,912,	900,000	241,400	575,000	61,479	4,050,381
	2006[3]	494,172	618,300	566,700	700,000	225,425	393,000	71,065	3,068,662
D.M. Wishart	2008	537,507	900,000	300,000	600,000	180,000	277,000	26,354	2,820,861
Executive Vice-President,	2007	475,005	755,143	244,857	550,000	204,220	467,000	46,708	2,742,934
Operations & Engineering	2006	395,007	327,850	172,150	500,000	190,706	154,000	24,942	1,764,655

(1) Mr. Lohnes was appointed Executive Vice-President and Chief Financial Officer for TransCanada in June 2006 and continued in his role as President of Great Lakes Transmission Company ("Great Lakes") until September 1, 2006. As such, the values denoted for the 2006 financial year represent compensation earned in this position for a four month period, combined with compensation earned for eight months in his previous position as President and Chief Executive Officer of Great Lakes. With the exception of the values noted in column (f2) and column (g), the compensation Mr. Lohnes received during his tenure as President and Chief Executive Officer of Great Lakes was provided in U.S. dollars (or equivalent value) but has been expressed here in Canadian dollars based on the Bank of Canada's average annual exchange rate for 2006 of 1.134.

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

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

(4) This column reflects actual base salary earnings during the noted financial year. Base salary rates are reviewed annually as part of Total Direct Compensation deliberation and changes, if any, are typically effective April 1.

(5) This column shows the Total Direct Compensation value that was allocated to performance share units. The number of share units awarded is created by taking the value noted and dividing it by the valuation price at the time of grant, namely $39.87 for 2008, $40.45 for 2007 and $36.60 for 2006. The valuation price is based on the volume-weighted average trading price of TransCanada's common shares during the five trading days immediately prior to and including the grant date.

(6) This column shows the total compensation value of stock options granted to the Executive Officers during each of the financial years noted. Only executive level employees received grants from the Stock Option Plan in 2008. For 2008, the exercise price of a stock option granted to Canadian executives was $39.75, which represented the closing market price of TransCanada common shares on the TSX for the last trading day immediately preceding the award date of the option.

In conjunction with a corporate restructuring, there was a special grant of stock options made to certain Executive Officers in June 2006 that was in addition to those granted earlier in the year during the annual determination of Total Direct Compensation. Specifically, Mr. Lohnes received an additional 50,000 options with a compensation value of $142,500, Mr. Girling and Mr. Pourbaix each received an additional 100,000 options with a compensation value of $285,000.

(7) Amounts referred to in this column are paid as annual cash bonuses and are attributable to the noted financial year. These payments are generally made by March 15 following the completion of the financial year.

(8) This column contains the value awarded from a grandfathered dividend-value plan under which grants are no longer made. The HR Committee determined an annual unit value of $1.44 per unit for 2008, $1.36 per unit for 2007 and $1.27 per unit for 2006 be awarded for all outstanding units held under the plan. Further information regarding this plan is noted in the narrative discussion for the Summary Compensation Table, below.

(9) This column includes the annual compensatory value from the defined benefit pension plan. This value, along with further explanation regarding the plan can be found in column (e) of the Defined Benefit Pension Plan Table below.

(10) The value in this column includes all other compensation not reported in any other column of the table for each of the Executive Officers and includes the following:

- The value of perquisites provided to Mr. Lohnes in 2007 was $47,891 which exceeded 10% of his total salary for that year and has therefore been included in this column. Aside from this exception, the perquisites values for each Executive Officer for all other financial years is less than $50,000 and 10% of total salary and, as such, are not included in this column. For information, the average annual value for perquisites provided to the Executive Officers in 2008 was $28,810. All perquisites provided to the Executive Officers have a direct cost to the Company and are valued on this basis.
- A tax equalization payment was made to Mr. Lohnes in 2006 of US$124,842 and is included in this column. This payment is disclosed here in Canadian dollars based on the Bank of Canada's average annual exchange rate for 2006 of 1.134.
- Included in this column is a one-time special tax-protected cash payment of $200,000 made to Mr. Lohnes as part of his repatriation to Canada. This value was paid to Mr. Lohnes in annual installments of $70,000 in 2006, $65,000 in 2007 and $65,000 in 2008. The installments disclosed include tax reimbursements of $44,754 for 2006, $41,557 for 2007 and $41,557 for 2008.
- Included in this column are payments made to Executive Officers by subsidiaries and affiliates of TransCanada (including directors' fees paid by affiliates and amounts paid for serving on management committees of entities in which TransCanada holds an interest), specifically: Mr. Girling - $23,250 for 2006; Mr. Pourbaix - $60,000 for 2008, $55,500 for 2007 and $59,250 for 2006; and Mr. Wishart - $21,000 for 2008, $42,000 for 2007 and $21,000 for 2006.
- This column includes TransCanada's contribution under the 401K pension plan for Mr. Lohnes in the amount of US$8,792 for 2006. This payment is disclosed here in Canadian dollars based on the Bank of Canada's average annual exchange rate for 2006 of 1.134.
- TransCanada's contributions under the Employee Stock Savings Plan made on behalf of the Executive Officer for the noted financial year is included in this column, specifically:
    - Mr. Kvisle - $12,354 for 2008, $11,708 for 2007 and $11,000 for 2006;
    - Mr. Lohnes - $4,125 for 2008, $3,613 for 2007, and $1,133 for 2006;
    - Mr. Girling - $6,796 for 2008, $5,979 for 2007 and $4,942 for 2006;
    - Mr. Pourbaix - $6,796 for 2008, $5,979 for 2007 and $4,892 for 2006; and
    - Mr. Wishart - $5,354 for 2008, $4,708 for 2007 and $3,942 for 2006.
- Included in this column is the value of payments made in a particular financial year in the event an Executive Officer elected to receive a cash payment in lieu of vacation entitlement from the previous year.

Stock Option Valuation

The value disclosed in column (e) in the Summary Compensation Table, above, reflects the HR Committee’s view of the grant date fair value of the stock option award. The amount noted for 2008 is based on a grant date fair value of $5.96 per stock option or 15% of the exercise price of $39.75. The amount noted for 2007 is based on a grant date fair value of $3.81 per stock option or 10% of the exercise price of $38.10. The amount noted for 2006 is based on a grant date fair value of $3.13 per stock option or 8.89% of the exercise price of $35.23.

In arriving at these values, the HR Committee considered a range of valuation approaches and assumptions, and ultimately used their discretion in arriving at grant date fair values they deemed to be fair and reasonable for compensation purposes. For accounting purposes, the grant date fair values determined for these awards were $3.97 per stock option for 2008, $4.22 per stock option for 2007 and $3.61 per stock option for 2006.

Non-equity Long-term Incentive Plan

The values contained in column (f2) in the Summary Compensation Table, above, reflect the value awarded from a grandfathered dividend-value plan under which grants are no longer made. Although no longer considered part of the current executive compensation program, annual awards on outstanding grants from this plan continue to be made and disclosed as compensation for the Executive Officers. Prior to the discontinuance of the plan in 2003, one unit from the dividend-value plan was granted in tandem with each granted stock option and expired ten years from the date of grant.

Each dividend-value plan unit provides the holder with the right to receive an annual unit value, as determined by the HR Committee, in its discretion. The maximum annual unit value is equal to the dividends declared on one TransCanada common share in a given year. For 2008, the HR Committee determined that $1.44 per unit was to be awarded for all outstanding units held under the dividend-value plan.

Recent Dividend-Value Plan Amendments

In December 2008, the HR Committee approved amendments to the dividend-value plan that provided for payment of all previously awarded but deferred annual unit value. These lump sum payments represented the total value deferred from multiple years of annual unit value awards, including the value disclosed in column (f2) in the Summary Compensation Table, above, for 2006 and 2007. As such, these payments are not reported in the Summary Compensation Table but are provided here for information:

Name	Total Units Outstanding (#)	Total Deferred Value as at 31-Dec-08 and paid in Jan-09 ($)
H.N. Kvisle	487,500	3,775,238
G.A. Lohnes	55,000	419,195
R.K. Girling	250,000	1,981,950
A.J. Pourbaix	160,000	1,221,340
D.M. Wishart	125,000	984,425

These payments included all annual unit value awarded up to and including the 2007 financial year. The annual unit value awarded for 2008 was paid to each Executive Officer as a separate payment in February, 2009 and is disclosed in column (f2) in the Summary Compensation Table, above, for 2008.

INCENTIVE PLAN AWARDS – OUTSTANDING OPTION-BASED AND SHARE-BASED AWARDS

The following table outlines all option-based and share-based awards previously awarded to the Executive Officers that are outstanding at the end of the most recently completed financial year.

	OPTION-BASED AWARDS				SHARE-BASED AWARDS	
Name (a)	Number of Securities Underlying Unexercised Options (#) (b)	Option Exercise Price ($) (c)	Option Expiration Date (d)	Value of Unexercised In-The-Money Options[(1)] ($) (e)	Number of Shares or Units of Shares that have not Vested[(2)] (#) (f)	Market or Payout Value of Share-based Awards that have not Vested[(3)] ($) (g)
H.N. Kvisle	200,000	22.33	24-Feb-10	2,168,000	140,337.032	2,327,490
	165,000	26.85	23-Feb-11	1,042,800		
	42,500	18.01	27-Feb-11	644,300		
	150,000	21.43	25-Feb-12	1,761,000		
	160,000	30.09	28-Feb-12	492,800		
	250,000	35.23	27-Feb-13	0		
	202,442	38.10	22-Feb-14	0		
	167,715	39.75	25-Feb-15	0		
G.A. Lohnes	10,500	30.09	28-Feb-12	32,340	25,314.903	419,848
	14,000	35.23	27-Feb-13	0		
	50,000	33.08	12-Jun-13	4,500		
	35,990	38.10	22-Feb-14	0		
	30,608	39.75	25-Feb-15	0		
R.K. Girling	80,000	22.33	24-Feb-10	867,200	72,062.626	1,195,159
	60,000	26.85	23-Feb-11	379,200		
	65,000	21.43	25-Feb-12	763,100		
	60,000	30.09	28-Feb-12	184,800		
	90,000	35.23	27-Feb-13	0		
	100,000	33.08	12-Jun-13	9,000		
	107,326	38.10	22-Feb-14	0		
	83,857	39.75	25-Feb-15	0		
A.J. Pourbaix	20,000	20.58	1-Mar-09	251,800	72,062.626	1,195,159
	60,000	26.85	23-Feb-11	379,200		
	60,000	30.09	28-Feb-12	184,800		
	90,000	35.23	27-Feb-13	0		
	100,000	33.08	12-Jun-13	9,000		
	107,326	38.10	22-Feb-14	0		
	83,857	39.75	25-Feb-15	0		

	OPTION-BASED AWARDS				SHARE-BASED AWARDS	
Name (a)	**Number of Securities Underlying Unexercised Options (#) (b)**	**Option Exercise Price ($) (c)**	**Option Expiration Date (d)**	**Value of Unexercised In-The-Money Options[1] ($) (e)**	**Number of Shares or Units of Shares that have not Vested[2] (#) (f)**	**Market or Payout Value of Share-based Awards that have not Vested[3] ($) (g)**
D.M. Wishart	20,000	20.58	1-Mar-09	251,800	43,197.713	716,434
	35,000	18.01	27-Feb-11	530,600		
	30,000	21.43	25-Feb-12	352,200		
	40,000	22.33	24-Feb-10	433,600		
	40,000	26.85	23-Feb-11	252,800		
	40,000	30.09	28-Feb-12	123,200		
	55,000	35.23	27-Feb-13	0		
	64,267	38.10	22-Feb-14	0		
	50,314	39.75	25-Feb-15	0		

(1) Calculated on outstanding vested and unvested stock options and based on the difference between the noted exercise price for the grant and the 2008 year-end closing price on the TSX for common shares of $33.17.

(2) The number of units represents those from both the original grant and those added during the grant term as a result of dividend value reinvestment, from all outstanding grants under the performance share unit plan as at December 31, 2008.

(3) TransCanada's performance share unit plan uses three-year objectives for the various performance measures. Additionally, there is no absolute formula applied to the performance results that is used to determine the final payout. Given that these conditions do not allow an interim calculation of performance results, the values noted in this column represent the minimum payout value from the plan that is greater than zero. This minimum payout value is calculated by taking 50% of the total units reported in column (f) and multiplying those by the 2008 year-end closing price on the TSX for common shares of $33.17.

INCENTIVE PLAN AWARDS – VALUE VESTED DURING THE YEAR

The following table outlines the aggregate value of all option-based and share-based awards previously made to the Executive Officers that vested during the most recently completed financial year. It also includes the aggregate value from non-equity incentive plan awards that were earned by the Executive Officers during the most recently completed financial year.

Name (a)	**Option-based Awards – Value Vested During the Year ($) (b)**	**Share-based Awards – Value Vested During the Year ($) (c)**	**Non-equity Incentive Plan Compensation – Value Earned During the Year[2] ($) (d)**
H.N. Kvisle	1,049,382	1,933,090	2,552,000
G.A. Lohnes[1]	205,912	125,495	629,200
R.K. Girling	596,594	623,327	1,346,000
A.J. Pourbaix	596,594	623,327	1,155,600
D.M. Wishart	258,135	330,516	780,000

(1) At the time of grant, Mr. Lohnes was President of Great Lakes and his performance share unit grant was under the U.S. plan. The payment value noted under column (c) for Mr. Lohnes is expressed in U.S. dollars and was paid in Canadian dollars exchanged at par.

(2) The value noted is this column is the aggregate value from both the annual cash bonus payment and the dividend-value plan annual payment that are attributable to this financial year. The annual cash bonus value is denoted in column (f1), "Annual Incentive Plans" while the dividend-value plan payment is denoted in column (f2), "Long-term Incentive Plans" in the Summary Compensation Table, above.

Option-based Awards – Value Vested During the Year

The value noted in column (b) of the Value Vested During the Year table, above, is the aggregate value from outstanding stock options that vested during the financial year. The value represents the total dollar value that would have been realized if the stock options had been exercised on the vesting date. The following table provides grant-by-grant details on the calculation of this total value:

Supplemental Table – Value of Outstanding Options Calculated at Vesting

Name	Grant Date	Total Number of Securities Under Options Granted (#)	Option Exercise Price ($)	Number of Options that Vested from the Grant during the Financial Year(1) (#)	Share Price on Vesting Date(2) ($)	Value at Vesting ($)
H.N. Kvisle	22-Feb-07	202,442	38.10	67,481	39.75	111,344
	27-Feb-06	250,000	35.23	83,333	39.92	390,832
	28-Feb-05	160,000	30.09	53,334	40.35	547,207
G.A. Lohnes	22-Feb-07	35,990	38.10	11,997	39.75	19,795
	27-Feb-06	14,000	35.23	4,667	39.92	21,888
	12-Jun-06	50,000	33.08	16,667	38.83	95,835
	28-Feb-05	20,000	30.09	6,666	40.35	68,393
R.K. Girling	22-Feb-07	107,326	38.10	35,775	39.75	59,029
	27-Feb-06	90,000	35.23	30,000	39.92	140,700
	12-Jun-06	100,000	33.08	33,333	38.83	191,665
	28-Feb-05	60,000	30.09	20,000	40.35	205,200
A.J. Pourbaix	22-Feb-07	107,326	38.10	35,775	39.75	59,029
	27-Feb-06	90,000	35.23	30,000	39.92	140,700
	12-Jun-06	100,000	33.08	33,333	38.83	191,665
	28-Feb-05	60,000	30.09	20,000	40.35	205,200
D.M. Wishart	22-Feb-07	64,267	38.10	21,422	39.75	35,346
	27-Feb-06	55,000	35.23	18,333	39.92	85,982
	28-Feb-05	40,000	30.09	13,334	40.35	136,807

(1) TransCanada employee stock options vest one-third on each anniversary of the grant date for a period of three years.

(2) The share price noted is the closing price for TransCanada Common Shares on the TSX for the later of the vesting date or the first full trading day following that date.

Share-based Awards – Value Vested During the Year

The value noted in column (c) of the Value Vested During the Year table above is the value paid to the Executive Officers upon the vesting of the 2006 grant of performance share units. The noted value in this table is calculated as follows:

$$\left\{ \left[\text{Total Units as of the Vesting Date}^{(1)} \times \text{Valuation Price}^{(2)} \text{ at Vesting Date} \right] + \left[\text{Total Units as of the Vesting Date}^{(1)} \times \text{Final Dividend value}^{(3)} \right] \right\} \times \text{Performance Multiplier as determined by the HR Committee}$$

(1) The total number of units at the vesting date includes those both from the original grant and those accumulated by dividend-value reinvestment throughout the grant term.

(2) The Valuation Price equals the volume-weighted average trading price of TransCanada's common shares during the five trading days immediately prior to and including the vesting date.

(3) The Final Dividend value is the dividend per common share that has been declared as of Q4 of the vesting year but which has not been paid at the vesting date.

For information, the following table reconciles the performance share unit payment value that is noted in column (c) of the Value Vested During the Year table.

Supplemental Table – Payment Value of 2006 Performance Share Unit Grant

Name (i)	Vesting Date (ii)	Total Units at Vesting (2) (#) (iii)	Value of Total Units at Vesting (3) ($) (iv)	Value of Final Dividend(4) ($) (v)	Total Payment Value(5) ($) (vi)
H.N. Kvisle	31-Dec-08	57,981.116	1,912,217	20,873	1,933,090
G.A Lohnes(1)	31-Dec-08	3,764.112	124,140	1,355	125,495
R.K. Girling	31-Dec-08	18,696.075	616,597	6,731	623,327
A.J. Pourbaix	31-Dec-08	18,696.075	616,597	6,731	623,327
D.M. Wishart	31-Dec-08	9,913.487	326,947	3,569	330,516

(1) At the time of grant, Mr. Lohnes was President of Great Lakes and his performance share unit grant was under the U.S. plan. The payment values noted for Mr. Lohnes are expressed in U.S. dollars and were paid in Canadian dollars exchanged at par.

(2) The total units at vesting include those units from the original grant and those from dividend reinvestment activity up to Q3 of 2008.

(3) Units noted in column (iii) were valued at $32.98 per unit based on the five day volume-weighted closing price of common shares on the TSX at December 31, 2008.

(4) The value noted is the declared dividend for Q4 2008 of $0.36 multiplied by the number of units noted in column (iii).

(5) Based on the HR Committee's assessment of the performance achieved against objectives, 100% of the total units became vested for payment as of the Vesting Date noted. As such, the value in this column represents the sum of the values from columns (iv) and (v). This value was paid to the Executive Officers in February 2009.

EQUITY COMPENSATION PLAN INFORMATION

The stock option plan is the only compensation arrangement under which equity securities of TransCanada have been authorized for issuance. Stock options may be granted to employees of TransCanada as approved by the HR Committee as described under the section, "Elements of Compensation – Long-Term Incentives" above. The following provides key information regarding the stock option plan:

- The stock option plan was first approved by shareholders in 1995;
- As at February 23, 2009, there were approximately:
    - 9,332,794 common shares issuable upon the exercise of outstanding stock options; this represents 1.5% of issued and outstanding common shares;
    - 3,158,829 common shares remaining available for issuance; this represents 0.5% of issued and outstanding common shares;
    - 17,918,427 common shares have been issued upon the exercise of stock options, representing 2.9% of issued and outstanding common shares of the Company; and
- The exercise price for unexercised issued stock options ranges from $10.03 to $39.75, with expiry dates ranging from March 1, 2009 to February 23, 2016.

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

For more information regarding amendments to the stock option plan and vesting information, refer to the sections entitled, "Elements of Compensation – Long-Term Incentives and Stock Option Plan Information", above. The actions currently prescribed for outstanding stock option grants after specific employment events are described below under the section, "Termination and Change of Control Benefits – Separation Arrangements", below.

Securities Authorized for Issuance under Equity Compensation Plans

The following table outlines the number of common shares to be issued upon the exercise of outstanding stock options under the stock option plan, the weighted average exercise price of the outstanding stock options, and the number of common shares available for future issuance under the stock option plan, all as at December 31, 2008.

Plan Category	Number of securities to be issued upon exercise of outstanding options (#) (a)	Weighted-average exercise price of outstanding options ($) (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (#) (c)
Equity compensation plans approved by security holders	8,501,007	29.10	4,188,117
Equity compensation plans not approved by security holders	Nil	Nil	Nil
TOTAL	8,501,007	29.10	4,188,117

PENSION AND RETIREMENT BENEFITS FOR EXECUTIVES

Effective January 1, 2008, TransCanada's retirement program was amended to allow new employees and existing employees with less than ten years of service with TransCanada the choice to either participate in the defined benefit pension plan or receive an annual Company contribution to a savings account under the new savings plan. Eligible employees who elect to participate in the savings plan will receive a Company contribution equal to 7% of base salary plus 7% of annual incentive compensation paid up to a set percentage. However, participation in the defined benefit pension plan is mandatory for all employees once they have ten years of service with the Company.

All of the Executive Officers participate in the defined benefit pension plan.

Defined Benefit Pension Plan

The defined benefit pension plan consists of a base pension plan and a supplemental pension plan for eligible employees.

Base Pension Plan

All of our Canadian employees with ten years of service and those with less than ten years of service who have elected to participate in the defined benefit pension plan (the "Pension Plan Employees"), including the Executive Officers, participate in the base pension plan, which is now solely a non-contributory defined benefit pension plan.

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

The benefit calculation for the base pension plan is:

1.25% of an employee's Highest Average Earnings[1] up to the Final Average[2] YMPE[3]	**plus**	1.75% of an employee's Highest Average Earnings above the Final Average YMPE	**multiplied by**	Credited Service[4]

(1) "Highest Average Earnings" means the average of an employee's best consecutive 36 months of Pensionable Earnings in the last 15 years before retirement. "Pensionable Earnings" means an employee's base salary plus the annual cash bonus up to a pre-established maximum amount as outlined in the plan text for the defined benefit pension plan. Pensionable Earnings do not include any other forms of compensation.

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

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

(4) "Credited Service" means the employee's years of credited pensionable service in the defined benefit pension plan.

Registered defined benefit pension plans are subject to a maximum annual benefit accrual under the *Income Tax Act* (Canada), which is currently $2,444 for each year of Credited Service, with the result that benefits cannot be earned in the base pension plan on compensation above approximately $153,000 per annum.

Supplemental Pension Plan

All of our Pension Plan Employees, including the Executive Officers, who have Pensionable Earnings over the *Income Tax Act* (Canada) ceiling of approximately $153,000, participate in the Company's non-contributory defined benefit supplemental pension plan. Approximately 600 employees currently participate in the supplemental pension plan.

The defined benefit pension plan uses a hold harmless approach, where the maximum amount allowable under the *Income Tax Act* (Canada) will be paid from the base pension plan and the remainder is paid from the supplemental pension plan. The supplemental pension plan is funded through a retirement compensation arrangement under the *Income Tax Act* (Canada). Subject to the Board's approval, contributions to the fund are based on an annual actuarial valuation of the supplemental pension plan obligations calculated on the basis of the plan terminating at the beginning of each calendar year. The annual pension benefit under the supplemental pension plan is equal to 1.75% multiplied by the employee's Credited Service, multiplied by the amount by which such employee's Highest Average Earnings exceed the ceiling imposed under the *Income Tax Act* (Canada) and is recognized under the defined benefit pension plan.

Generally, neither the base pension plan nor the supplemental pension plan provide for the recognition of past service. However, pursuant to the provisions of the supplemental pension plan, the HR Committee has exercised its discretion to grant additional years of Credited Service to executive employees from time to time.

All Pension Plan Employees, including the Executive Officers, will receive the following normal form of pension:

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

(b) in respect of Credited Service on and after January 1, 1990, upon retirement, a monthly pension as described in (a) above and, for unmarried employees, a monthly pension payable for life with payments to the employee's estate guaranteed for the balance of ten years if the employee dies within ten years of retirement.

In lieu of the normal form of pension, optional forms of pension payment may be chosen provided that any legally required waivers are completed. Forms of optional pension payment include: increasing the percentage of the pension value that continues after death, adding a guarantee period to the pension and, under the base pension plan only, transferring the lump sum commuted value of the pension to a locked-in retirement account up to certain limits.

Accrued Pension Obligations

As at December 31, 2008, TransCanada's accrued obligation for the supplemental pension plan was approximately $178.0 million. The 2008 current service costs and interest costs of the supplemental pension plan were approximately $5.5 and $11.0 million, respectively, for a total of $16.5 million. The accrued pension obligation is calculated following the method prescribed by the Canadian Institute of Chartered Accountants and is based on management's best estimate of future events that affect the cost of pensions, including assumptions about future salary adjustments and bonuses. More information on the accrued obligations and the assumptions utilized may be found in Note 21 - (Employee Future Benefits) of the Notes to TransCanada's 2008 Consolidated Financial Statements which are available on the Company's website at www.transcanada.com and filed on SEDAR at www.sedar.com.

Defined Benefit Pension Plan Table

Name (a)	Number of Years of Credited Service (b)	Annual Benefits Payable (c) At Year End[4] ($) (c1)	At Age 65[5] ($) (c2)	Accrued Obligation Start of Year[6] ($) (d)	Compensatory Change[7] ($) (e)	Non-Compensatory Change[8] ($) (f)	Accrued Obligation at Year End[6] ($) (g)
H.N. Kvisle[1]	18.33	707,000	1,095,000	9,047,000	753,000	(1,138,000)	8,662,000
G.A. Lohnes[2]	15.33	134,000	244,000	1,906,000	349,000	(472,000)	1,783,000
R.K. Girling[3]	13.00	197,000	486,000	2,447,000	352,000	(753,000)	2,046,000
A.J. Pourbaix[3]	13.00	195,000	531,000	2,343,000	343,000	(863,000)	1,823,000
D.M. Wishart	11.59	143,000	278,000	2,006,000	277,000	(409,000)	1,874,000

(1) In 2002, the HR Committee approved an arrangement with Mr. Kvisle to grant him additional Credited Service in recognition of his accomplishments to date and to retain his services into the future. The arrangement resulted in him receiving five years of additional Credited Service in 2004 on his fifth anniversary date with TransCanada. In addition, for each year after 2004, until and including 2009, Mr. Kvisle will be granted one additional year of Credited Service on the date of the anniversary of his employment. All such additional service will not exceed ten additional years of Credited Service and is to be recognized solely in the supplemental pension plan with respect to earnings in excess of the maximum set under the *Income Tax Act* (Canada).

(2) Mr. Lohnes continued to accrue Credited Service in the base pension plan and supplemental pension plan while employed in the United States from August 16, 2000 to August 31, 2006. Pensionable Earnings were established on the basis that one U.S. dollar is equal to one Canadian dollar, and included both the U.S. base salary and annual cash bonus up to the pre-established maximum amount as outlined in the plan text for the defined benefit pension plan.

(3) In 2004, the HR Committee also approved arrangements for Mr. Girling and Mr. Pourbaix to obtain additional Credited Service in recognition of their high potential and to retain their services into the future. Subject to Mr. Girling and Mr. Pourbaix maintaining continuous employment with TransCanada until September 8, 2007, each received an additional three years of Credited Service on that date which are to be recognized solely in the supplemental pension plan with respect to earnings in excess of the maximum set under the *Income Tax Act* (Canada).

(4) Column (c1) shows the annual lifetime benefit and is based on the years of Credited Service in column (b) and the actual Pensionable Earnings history as of December 31, 2008.

(5) Column (c2) shows the annual lifetime benefit at age 65 based on the years of Credited Service at age 65 and the actual Pensionable Earnings history as of December 31, 2008.

(6) Column (e) shows the compensatory change in the accrued obligation and includes the service cost to TransCanada in 2008, plus compensation changes that were higher or lower than the salary assumption, and plan changes.

(7) Column (f) shows the non-compensatory change in the accrued obligation and includes the interest on the accrued obligation at the start of the year and changes in assumptions in the year.

(8) The accrued obligation is the reported value of the pension obligations at December 31, 2007, shown in column (d), and December 31, 2008, shown in column (e), using actuarial assumptions and methods that are consistent with those used for calculating pension obligations as disclosed in the TransCanada's 2007 and 2008 consolidated financial statements. As the assumptions reflect TransCanada's best estimate of future events, the values shown in the above table may not be directly comparable to similar estimates of pension obligations that may be disclosed by other corporations.

TERMINATION AND CHANGE OF CONTROL BENEFITS

Separation Arrangements

Separation agreements with the Executive Officers (each, a "Separation Agreement") outline the terms and conditions applicable in the event of an Executive Officer's separation from TransCanada due to retirement, termination (with or without cause), resignation, disability or death. The following table summarizes the material terms and provisions that apply under the noted separation events:

TYPE OF COMPENSATION	SEPARATION EVENT				
	RESIGNATION(1)	*TERMINATION WITHOUT CAUSE*(2)	*TERMINATION WITH CAUSE*	*RETIREMENT*	*DEATH*
Base Salary	Payments cease	Severance allowance includes a lump-sum payment of annual base salary as of the separation date multiplied by the notice period(3)	Payments cease	Payments cease	Payments cease
Annual Bonus	Not paid	Equals the Average Bonus(4) pro-rated by the number of months in the current year prior to the separation date Severance allowance includes the Average Bonus(4) multiplied by the notice period(3)	Not paid	Equals the Average Bonus(4) pro-rated by the number of months in the year prior to the separation date	Equals the Average Bonus(4) pro-rated by the number of months in the year prior to the separation date
Performance Share Units	All outstanding units are forfeited	Granted value paid out on a *pro rata* basis	All outstanding units are forfeited	Granted value paid out on a *pro rata* basis	Granted value paid out on a *pro rata* basis
Stock Options	Vested options must be exercised by six months following separation	Vested options must be exercised by the later of the last day of the notice period or six months following separation	Vested options must be exercised by six months following separation	All outstanding options vest and become exercisable; must be exercised by three years following retirement(5)	All outstanding options vest and become exercisable; must be exercised by the first anniversary of death(5)
Benefits	Coverage ceases or, if eligible, Retiree Benefits(6) commence	Coverage continues during notice period (or equivalent lump-sum payout is made) and if eligible, service credit for the notice period(3) for Retiree Benefits(6)	Coverage ceases or, if eligible, Retiree Benefits(6) commence	Retiree Benefits(6) commence	Coverage ceases or, if eligible, Retiree Benefits(6) commence
Pension	Paid as a commuted value or monthly benefit	Paid as a commuted value or monthly benefit(7)	Paid as a commuted value or monthly benefit	Paid as a commuted value or monthly benefit	Paid as a commuted value or monthly benefit
Perquisites	Payments cease	A lump-sum cash payment equal to the monthly corporate cost of the perquisite package multiplied by the notice period(3)	Payments cease	Payments cease	Payments cease

TYPE OF COMPENSATION	SEPARATION EVENT				
	RESIGNATION(1)	*TERMINATION WITHOUT CAUSE*(2)	*TERMINATION WITH CAUSE*	*RETIREMENT*	*DEATH*
Other	---	Outplacement services	---	---	---

(1) Does not include resignation as a result of constructive dismissal of the Executive Officer.

(2) Includes treatment afforded to an Executive Officer in the event of an Executive Officer's resignation owing to constructive dismissal.

(3) The notice period for the CEO is three years. For all other Executive Officers, the notice period is two years.

(4) The Average Bonus is equal to the average of the annual bonus amounts paid to the Executive Officer for the three-years preceding the separation date.

(5) The exercise provisions noted pertain to stock options granted after January 1, 2003. For stock options granted prior to that date, all outstanding stock options must be exercised within six months following the date of retirement or death.

(6) All employees are eligible for Retiree Benefits, if at the separation date, they are age 55 or over with ten or more years of continuous service. These benefits include:

- a health spending account which can be used to pay for eligible health and dental expenses and/or to purchase private health insurance;
- a security plan, which provides a safety net in case of significant medical expenses; and
- life insurance, which provides a death benefit of $10,000 to a designated beneficiary.

All other coverage, including the employee stock plan, spousal and dependent life insurance, accident insurance, disability and payment of provincial health care premiums, end at the date of separation.

(7) Credited Service for the applicable notice period is provided at the end of the notice period.

TransCanada may elect to require Executive Officers to comply with a non-competition provision in the Separation Agreements for a period of 12 months from the Executive Officer's separation date. If TransCanada makes this election, a payment will be made to the Executive Officer of an amount equal to the annual base salary as of the separation date plus the Average Bonus.

Change of Control Arrangements

Under the Separation Agreements, a change of control is defined as including (but is not limited to) another entity becoming the beneficial owner of more than 20% of the voting shares of TransCanada or more than 50% of the voting shares of TCPL (not including the voting shares of TCPL held by TransCanada). A change of control in itself does not trigger all separation payments under the Separation Agreements. However, in the month following the one year anniversary after a change of control, Mr. Kvisle may provide notice of his intention to leave TransCanada and in that event, he would receive all the same entitlements as if he had been terminated without cause.

The following table summarizes additional terms and provisions applicable to Executive Officers under the Separation Agreements in the event of a change of control.

Performance Share Units	If the Executive Officer's separation date is within two years of a change of control, all unvested performance share units are deemed vested and are paid out as a single, lump-sum cash payment.
Stock Options	Following a change of control, there is an acceleration of stock option vesting. If, for any reason, the Company is unable to implement this vesting acceleration (e.g., the Company's shares cease to trade), the Company will pay the Executive Officer a cash payment. This payment would be equal to the net amount of compensation the Executive Officer would have received if they had, on the date of a change of control, exercised all vested options and unvested options for which vesting would have been accelerated.
Pension	If the Executive Officer's separation date is within two years of a change of control, a pensionable service credit for the applicable notice period is provided at the date of separation rather than at the end of the notice period.

Separation Payments

The following table provides a calculation of the separation payments that would have been made to the Executive Officers under the noted separation events with and without a deemed change of control. All payments are calculated assuming the date of separation was, and if applicable, a change of control occurred on December 31, 2008. The disclosed values represent payments made pursuant to the terms of the Separation Agreements and do not include certain values that would be provided under normal course, specifically the value of pension benefits normally provided following resignation and the value of Retiree Benefits.

	WITHOUT A CHANGE OF CONTROL			WITH A CHANGE OF CONTROL
Name (a)	**Payment Made in the Event of Termination with Cause(1) ($) (b)**	**Payment Made in the Event of Termination Without Cause(2)(3)(4) ($) (c)**	**Payment Made in the Event of Retirement or Death ($) (e)**	**Payment Made in the Event of Termination Without Cause Following a Change of Control(3)(5) ($) (g)**
H.N. Kvisle	6,108,900	21,535,867	12,077,788	24,296,907
G.A. Lohnes	35,340	2,729,782	966,167	3,110,863
R.K. Girling	2,200,300	7,951,481	4,867,352	9,016,323
A.J. Pourbaix	821,800	6,535,981	3,488,852	7,600,823
D.M. Wishart	1,944,200	5,932,472	3,561,478	6,596,256

(1) Also constitutes treatment afforded an Executive Officer in the event of an Executive Officer's resignation without constructive dismissal.

(2) Also constitutes treatment afforded an Executive Officer in the event of an Executive Officer's resignation owing to constructive dismissal.

(3) In the event TransCanada elects to require an Executive Officer to comply with a non-competition provision as contained in the Separation Agreements, the Executive Officers would receive the following compensatory lump sum payments: Mr. Kvisle - $2,700,004; Mr. Lohnes - $769,421; Messrs. Girling and Pourbaix - $1,400,008; and Mr. Wishart - $1,033,341.

(4) Also constitutes treatment afforded an Executive Officer in the event of an Executive Officer's resignation owing to constructive dismissal where separation date is within two years from the date of the change of control.

The aggregate value of perquisites for each Executive Officer is less than $50,000 or 10% of salary and as such, has been excluded from the separation payment calculations. As applicable to the provisions for certain separation events, the values from share-based compensation incorporate the following assumptions:

- applicable payments from outstanding performance share unit grants inclusive of additional units from dividend reinvestment up to and including the last quarter of 2008 and assuming a value of $32.98 per unit which is the five-day volume-weighted average closing share price on the TSX of TransCanada's common shares as of December 31, 2008, calculated per the terms of the plan; and
- the value of vested in-the-money stock options, assumed exercised as at the separation date and using an exercise price of $33.17 which is based on the closing share price on the TSX of TransCanada's common shares on December 31, 2008.

The HR Committee annually reviews severance payment amounts for each of the Executive Officers as calculated under the Separation Agreements. The data provided to the HR Committee represents the total value to be paid to the Executive Officer in the event of termination without cause, both with and without a deemed change of control as well as the additional payment that could be made under the non-competition provision.