TRANSCANADA PIPELINES LTD
Form 40-F
February 26, 2010

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U.S. Securities and Exchange Commission

Washington, D.C. 20549

Form 40-F

o **REGISTRATION STATEMENT PURSUANT TO SECTION 12 OF THE SECURITIES EXCHANGE ACT of 1934**

OR

ý **ANNUAL REPORT PURSUANT TO SECTION 13(a) OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended **December 31, 2009** Commission File Number **1-8887**

TRANSCANADA PIPELINES LIMITED

(Exact Name of Registrant as specified in its charter)

Canada

(Jurisdiction of incorporation or organization)

4922, 4923, 4924, 5172
(Primary Standard Industrial Classification Code Number (if applicable))

Not Applicable
(I.R.S. Employer Identification Number (if applicable))

TransCanada Tower, 450 - 1 Street S.W.
Calgary, Alberta, Canada, T2P 5H1
(403) 920-2000
(Address and telephone number of Registrant's principal executive offices)

TransCanada PipeLine USA Ltd., 717 Texas Street
Houston, Texas, 77002-2761; (832) 320-5201
(Name, address (including zip code) and telephone number (including area code) of agent for service in the United States)

Securities registered pursuant to section 12(b) of the Act: **None**
Securities registered pursuant to Section 12(g) of the Act: **None**
Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: **None**

For annual reports, indicate by check mark the information filed with this Form:

ý Annual Information Form ý Audited annual financial statements

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report.

At December 31, 2009, 4,000,000 Cumulative Redeemable First Preferred Shares, Series U and 4,000,000 Cumulative Redeemable First Preferred Shares, Series Y were issued and outstanding
All of the Registrant's common shares are owned by TransCanada Corporation

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the preceding 12 months (or such shorter period that the Registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes ý No o

The documents (or portions thereof) forming part of this Form 40-F are incorporated by reference into the following registration statements under the *Securities Act of 1933*, as amended:

Form	**Registration No.**
F-9	333-154961
F-9	333-163641

AUDITED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS AND MANAGEMENT'S DISCUSSION & ANALYSIS

A. Audited Annual Financial Statements

For audited consolidated financial statements, including the report of the independent chartered accountants, see pages 89 through 142 of the TransCanada PipeLines Limited ("TCPL") 2009 Management's Discussion and Analysis and Audited Consolidated Financial Statements included herein. See the related supplementary note entitled "Reconciliation to United States GAAP" for a reconciliation of the differences between Canadian and United States generally accepted accounting principles, including the auditors' report, attached as document 13.4, and the related comments by auditors for United States readers on Canada United States reporting differences, attached as document 99.1.

B. Management's Discussion & Analysis

For management's discussion and analysis, see pages 2 through 88 of the TCPL 2009 Management's Discussion and Analysis and Audited Consolidated Financial Statements included herein.

For the purposes of this Report, only pages 2 through 88 and 89 through 142 of the TCPL 2009 Management's Discussion and Analysis and Audited Consolidated Financial Statements shall be deemed incorporated herein by reference and filed, and the balance of such 2009 Management's Discussion and Analysis and Audited Consolidated Financial Statements, except as otherwise specifically incorporated by reference in the TCPL Annual Information Form, shall be deemed not filed with the U.S. Securities and Exchange Commission (the "Commission") as part of this Report under the *Exchange Act*.

C. Management's Report on Internal Control Over Financial Reporting

For information on management's internal control over financial reporting, see:

i. "Report of Management" included in TCPL's Audited Consolidated Financial Statements on page 89;

ii. the section entitled "Management's Annual Report on Internal Control Over Financial Reporting" under the heading "Controls and Procedures" in Management's Discussion and Analysis on page 73 of the TCPL Management's Discussion and Analysis and Audited Consolidated Financial Statements; and

iii. Management's Report on Internal Control Over Financial Reporting attached as document 13.5.

UNDERTAKING

The Registrant undertakes to make available, in person or by telephone, representatives to respond to inquiries made by the staff of the Commission, and to furnish promptly, when requested to do so by the Commission staff, information relating to: the securities registered pursuant to Form 40-F; the securities in relation to which the obligation to file an Annual Report on Form 40-F arises; or transactions in said securities.

DISCLOSURE CONTROLS AND PROCEDURES

For information on disclosure controls and procedures, see "Controls and Procedures" in Management's Discussion and Analysis on page 73 of the TCPL 2009 Management's Discussion and Analysis and Audited Consolidated Financial Statements.

AUDIT COMMITTEE FINANCIAL EXPERT

The Registrant's board of directors has determined that it has at least one audit committee financial expert serving on its audit committee. Mr. Kevin E. Benson has been designated an audit committee financial expert and is independent, as that term is defined by the New York Stock Exchange's listing standards applicable to the Registrant. The Commission has indicated that the designation of Mr. Benson as an audit committee financial expert does not make Mr. Benson an "expert" for any purpose, impose any duties, obligations or liability on Mr. Benson that are greater than those imposed on members of the audit committee and board of directors who do not carry this designation or affect the duties, obligations or liability of any other member of the audit committee.

CODE OF ETHICS

The Registrant has adopted codes of business ethics for its President and Chief Executive Officer, Chief Financial Officer, Controller, directors, employees and contractors. The Registrant's codes are available on its website at www.transcanada.com. No waivers have been granted from any provision of the codes during the 2009 fiscal year.

PRINCIPAL ACCOUNTANT FEES AND SERVICES

For information on principal accountant fees and services, see "Corporate Governance Audit Committee External Auditor Service Fees" and "Corporate Governance Audit Committee Pre-Approval Policies and Procedures" on page 27 of the TCPL Annual Information Form.

OFF-BALANCE SHEET ARRANGEMENTS

The Registrant has no off-balance sheet arrangements, as defined in this Form, other than the guarantees and commitments described in Note 24 of the Notes to the Audited Consolidated Financial Statements attached to this Form 40-F and incorporated herein by reference.

TABULAR DISCLOSURE OF CONTRACTUAL OBLIGATIONS

For information on Tabular Disclosure of Contractual Obligations, see "Contractual Obligations" in Management's Discussion and Analysis on page 57 of the TCPL 2009 Management's Discussion and Analysis and Audited Consolidated Financial Statements.

IDENTIFICATION OF THE AUDIT COMMITTEE

The Registrant has a separately-designated standing Audit Committee. The members of the Audit Committee are:

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

FORWARD-LOOKING INFORMATION

This document, the documents incorporated by reference, 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's securityholders 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 TCPL's pipeline and energy assets, the availability and price of energy commodities, capacity payments, 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, which could cause TCPL's actual results and experience to differ materially from the anticipated results or expectations expressed. The Company's material risks and assumptions are discussed further in TCPL's Management's Discussion and Analysis filed as document 13.2 hereto including under the headings "Pipelines Opportunities and Developments", "Pipelines Business Risks", "Energy Opportunities and Developments", "Energy Business Risks" and "Risk Management and Financial Instruments". Additional information on these and other factors is available in the reports filed by TCPL with Canadian securities regulators and with the Commission. 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 document 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.

SIGNATURES

Pursuant to the requirements of the *Exchange Act*, the Registrant certifies that it meets all of the requirements for filing on Form 40-F and has duly caused this Annual Report to be signed on its behalf by the undersigned, thereto duly authorized, in the City of Calgary, Province of Alberta, Canada.

TRANSCANADA PIPELINES LIMITED

Per: /s/ GREGORY A. LOHNES

Gregory A. Lohnes
Executive Vice-President and
Chief Financial Officer

Date: February 26, 2010

DOCUMENTS FILED AS PART OF THIS REPORT

13.1 TCPL's Annual Information Form for the year ended December 31, 2009.
13.2 Management's Discussion and Analysis (included on pages 2 through 88 of the TCPL 2009 Management's Discussion and Analysis and Audited Consolidated Financial Statements).
13.3 2009 Audited Consolidated Financial Statements (included on pages 89 through 142 of the TCPL 2009 Management's Discussion and Analysis and Audited Consolidated Financial Statements).
13.4 Related supplementary note entitled "Reconciliation to United States GAAP" and the auditors' report thereon.
13.5 Management's Report on Internal Control Over Financial Reporting.
13.6 Report of the Independent Registered Public Accounting Firm on the effectiveness of TCPL's Internal Control Over Financial Reporting, as at December 31, 2009.
99.1 Comments by Auditors for United States Readers on Canada-United States Reporting Differences.

EXHIBITS

23.1 Consent of KPMG LLP, Chartered Accountants.
31.1 Certification of Chief Executive Officer pursuant to Section 302 of the *Sarbanes-Oxley Act of 2002*.
31.2 Certification of Chief Financial Officer pursuant to Section 302 of the *Sarbanes-Oxley Act of 2002*.
32.1 Certification of Chief Executive Officer regarding Periodic Report containing Financial Statements.
32.2 Certification of Chief Financial Officer regarding Periodic Report containing Financial Statements.

TRANSCANADA PIPELINES LIMITED

ANNUAL INFORMATION FORM

February 22, 2010

TABLE OF CONTENTS

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, 2009 (*Year End*). Amounts are expressed in Canadian dollars unless otherwise indicated. Financial information is presented in accordance with Canadian generally accepted accounting principles (*Canadian GAAP*).

Certain portions of TCPL s Management s Discussion and Analysis dated February 22, 2010 (*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. Effective January 1, 2011, TCPL will begin reporting under IFRS. TCPL s conversion plan includes obtaining skilled people, providing education and training, analyzing the impact on TCPL of key differences between Canadian GAAP and IFRS, and developing and executing a phased approach to conversion and implementation. 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. Terms defined throughout this AIF are listed in the Glossary found at the end of 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-l statements in this document are intended to provide securityholders 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, capacity payments, 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 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 U.S. Securities and Exchange Commission (*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, 2009. 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, 2009. 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, 2009.

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.

TCPL s reportable business segments are 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 and the non-regulated natural gas storage business.

Developments in the Pipelines Business

TCPL s strategy in Pipelines is focused on both growing its North American natural gas and crude oil 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.

2010

Pipeline Developments

- January 29, 2010. TCPL announced that the proposed Alaska pipeline project (the *Alaska Pipeline Project*) filed its plan with the United States Federal Energy Regulatory Commission (*FERC*) to obtain approval to conduct an open season. If approval is granted, an open season offering is expected to be provided to potential shippers at the end of April 2010 for their assessment until July 2010. The Alaska Pipeline Project is a 4.5 billion cubic feet per day (*Bcf/d*) natural gas pipeline that would extend 2,737 kilometres (*km*) (1,700 miles) from a new natural gas treatment plant at Prudhoe Bay, Alaska to Alberta.

Regulatory Matters

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February 19, 2010. TCPL filed an application with the National Energy Board (*NEB*) for approvals to construct and operate the proposed Horn River pipeline project (*Horn River Project*), a 158 km (98 mile) pipeline and related facilities to connect new shale gas supply in the Horn River basin north of Fort Nelson, B.C., to TCPL s natural gas transmission system in the province of Alberta (the *Alberta System*). The Horn River Project will consist of approximately 74 km of new pipelines and the purchase and use of an existing pipeline in the Horn River area and will transport sweet natural gas to a tie in point on the Alberta System. The project is expected to cost approximately $307 million.

2009

Pipeline Developments

- February 26, 2009. TCPL announced the successful completion of a binding open season, securing support for firm transportation contracts of 378 million cubic feet per day (*MMcf/d*) for the Horn River Project. Total contractual commitments for the Horn River Project increased to 503 MMcf/d by 2014 as a result of newly contracted volumes from a recently announced natural gas processing facility that will be located in the Horn River area.

- May 7, 2009. TCPL announced that it was the successful bidder on a contract to build, own and operate a US$320 million pipeline in Mexico, which is supported by a twenty-five year contract for its entire capacity with Comisión Federal de Electridad, Mexico s state-owned electric power company. The proposed pipeline, known as the Guadalajara Pipeline, is an approximately 305 km (190 mile) pipeline capable of transporting 500 MMcf/d of natural gas, and is proposed to extend from a liquefied natural gas terminal under construction near Manzanillo on Mexico s Pacific Coast to Guadalajara, the second largest city in Mexico. Regulatory approvals were received in December 2009 and construction is under way with an expected in-service date of first quarter 2011.

- June 11, 2009. TCPL reached an agreement with ExxonMobil Corporation to jointly advance the Alaska Pipeline Project. A joint project team is developing the engineering, environmental, aboriginal relations and commercial work.

- July 1, 2009. TCPL completed the sale of North Baja Pipeline, LLC (*North Baja*) to its affiliate TC PipeLines, LP. As part of the transaction, TCPL agreed to amend its incentive distribution rights with TC PipeLines, LP. Under the amendment, TCPL received additional common units in exchange for a resetting of its incentive distribution rights at a lower percentage which escalates with increases in TC PipeLines, LP distributions. The aggregate consideration received from the partnership included a combination of cash and common units totaling approximately US$395 million. With the close of the transaction, TCPL s ownership of the partnership increased to 42.6 per cent. TCPL continued to operate North Baja following the transfer of ownership. The system is a 129 km (80 mile) natural gas pipeline that extends from southwest Arizona to a point on the California/Mexico border and connects with a natural gas pipeline system in Mexico. TCPL s ownership in TC PipeLines, LP was subsequently reduced to 38.2 per cent in November 2009 after TC PipeLines, LP completed a public issuance of common units.

- August 14, 2009. TCPL became the sole owner of the 3,456 km (2,147 mile) Keystone Oil Pipeline project that will transport crude oil from Alberta to markets in the United States (the *Keystone Oil Pipeline*) through the purchase of ConocoPhillips remaining approximately 20 per cent interest for US$553 million and the assumption of US$197 million of short-term debt. TCPL also assumed the responsibility for ConocoPhillips share of the capital investment required to complete the project resulting in an incremental commitment of approximately US$1.7 billion through the end of 2012.

- September 28, 2009. TCPL began work on the final phase of the North Central Corridor natural gas pipeline, a 300 km (186 mile) extension of the northern section of the Alberta System. This 160 km Red Earth section is expected to be complete by April 2010. The 140 km North Star section has been completed and two 13 Megawatt (*MW*) compressor units at the Meikle River compressor station were operational on May 15, 2009 and August 21, 2009, respectively.

- December 2009. A Joint Review Panel of the Canadian government released a report on environmental and socio-economic factors relating to the Mackenzie Gas Pipeline Project, a proposed 1,200 km (746 mile) natural gas pipeline to extend from a point near Inuvik, Northwest Territories to the northern border of Alberta, where it will connect to the Alberta System. The report has been submitted to the NEB as part of the review process for approval of the project. A decision is currently expected by fourth quarter 2010. TransCanada continues funding of the Mackenzie Valley Aboriginal Pipeline Limited Partnership for its participation in the Mackenzie Gas Pipeline Project.

Regulatory Matters

- February 26, 2009. The NEB approved TCPL s application for federal regulation of its Alberta System, which regulation became effective April 29, 2009. The Alberta System was previously regulated by the Alberta Utilities Commission (*AUC*). Under federal regulation, TCPL is able to apply to the NEB for approval to extend the Alberta System across provincial borders, allowing the Company to provide service to producers outside of Alberta.

- March 20, 2009. TransCanada Québec & Maritimes Pipeline Inc. (*TQM*) received the NEB s decision on its cost of capital application for 2007 and 2008, which requested an 11 per cent return on 40 per cent deemed common equity. The NEB set a 6.4 per cent after-tax weighted average cost of capital for each of the two years, which equates to a 9.85 per cent return on 40 per cent deemed common equity in 2007 and a 9.75 per cent return on 40 per cent deemed common equity in 2008. Prior to the decision, TQM was subject to the NEB return on equity formula of 8.46 per cent and 8.71 per cent for 2007 and 2008, respectively, on deemed common equity of 30 per cent. In June 2009, the NEB approved TQM s final tolls for 2007 and 2008, which reflected the 6.4 per cent after-tax weighted average cost of capital.

- May 2009. Portland Natural Gas Transmission System (*Portland System*) reached a settlement with its customers on certain short-term issues contained in its general rate case filed with the FERC in April 2008, which proposed a rate increase of approximately six per cent as well as other changes to its tariff. The partial settlement was filed with the FERC for approval and a decision is expected in 2010. The remaining issues were litigated and the initial decision from the administrative law judge was issued in December 2009. Participants in the rate case have an opportunity to respond to the initial decision. The FERC is expected to issue its final decision on the litigated portion of the rate case in fourth quarter 2010.

- September 2009. The NEB held a hearing to review TCPL s application regarding the Canadian portion of the planned expansion and extension of the Keystone Oil Pipeline, which expansion is expected to provide additional capacity in 2013 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 capacity of the Keystone Oil Pipeline system from 591,000 Bbl/d to approximately 1.1 million Bbl/d. The NEB is expected to issue a decision in first quarter 2010. Permits for the U.S. portion of the expansion are expected by fourth quarter 2010.

Construction of the expansion facilities is expected to commence in first quarter 2011 subject to the receipt of the necessary regulatory approvals.

- October 8, 2009. The NEB determined that its RH-2-94 decision would no longer be in effect. The RH-2-94 decision pursuant to the National Energy Board Act (Canada) established a return on equity formula tied to the Government of Canada bond yields that had formed the basis for determining tolls for certain pipelines under NEB jurisdiction since January 1, 1995. The NEB decided that the cost of capital would be determined by negotiations between pipeline companies and their shippers or by the NEB if a pipeline company filed a cost of capital application. The decision affects the calculation of future tolls for TCPL s NEB-regulated natural gas pipelines. In November 2009, the Canadian Association of Petroleum Producers and the Industrial Gas Users Association sought leave to appeal the October 2009 NEB decision to the Federal Court of Appeal and named the NEB as the sole respondent. In January 2010, TCPL was granted respondent status in the matter and in February 2010 filed its submission opposing the leave application.

- November 2009. The NEB concluded a public hearing process on TCPL s application for approval to construct and operate the Groundbirch pipeline, which is comprised of a 77 km (48 mile) natural gas pipeline and related above ground facilities. TCPL has entered into firm transportation agreements with Groundbirch customers that are expected to increase to 1.1 Bcf/d by 2014. The Groundbirch pipeline, if approved, would be an extension of the Alberta System and would connect natural gas supply primarily from the Montney shale gas formation in northeast British Columbia to existing infrastructure in northwest Alberta. Construction of the Groundbirch pipeline is expected to commence in July 2010 with completion anticipated in November 2010. The NEB is expected to issue a decision in first quarter 2010.

- November 2009. The FERC initiated an investigation to determine whether rates on the Great Lakes system, a natural gas pipeline system running from northwestern Idaho, through Washington and Oregon to the California border (the *Great Lakes System*) are just and reasonable. In response, Great Lakes filed a cost and revenue study with the FERC on February 4, 2010. A hearing is scheduled to commence on August 2, 2010, and an initial decision is required in November 2010. The impact of the investigation on the Great Lakes System s rates and revenues is unknown at this time.

- November 27, 2009. TCPL filed a combined application with the NEB for approvals of both a new Alberta System Rate Design Settlement, and the integration of Canadian Utilities Limited (*ATCO Pipelines*). The rate design was negotiated with all key stakeholders and addresses the evolving nature of the Alberta System and the integration of ATCO Pipelines. It also incorporates a single delivery service for all delivery points resulting from the amalgamation of current intra-Alberta and export delivery services. TCPL reached a proposed agreement with ATCO

Pipelines to provide integrated natural gas transmission service to customers on September 8, 2008. 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 and ATCO Pipelines continue to work towards obtaining the necessary regulatory approvals to provide integrated service to shippers on the Alberta System and the ATCO Pipelines system. The integration of the Alberta System and ATCO Pipelines system will create the effect of a single integrated natural gas transmission system in Alberta resulting in a more efficient delivery of service to customers.

- December 2009. The NEB approved TCPL s application for 2010 final tolls for its Canadian gas pipeline system (the *Canadian Mainline*) transportation service, effective January 1, 2010. The 2010 calculated ROE for the Canadian Mainline will be 8.52 per cent, a decrease from 8.57 per cent in 2009. The Canadian Mainline will continue to base its return on the NEB s return on equity formula for 2010 and 2011 in accordance with the terms of the current Canadian Mainline tolls settlement. Reduced throughput and greater use of shorter distance transportation contracts has resulted in an increase in Canadian Mainline tolls for 2010 compared to 2009. This situation, coupled with the ongoing development and growth of competitive alternative natural gas supply and infrastructure from the United States shale gas regions, is increasing competitive pressures on the Canadian Mainline. As a result, TCPL indicated that it will develop solutions, involving possible changes to business model, rate design, and services that would be designed to increase throughput and revenue in order to reduce tolls. TCPL is also pursuing the connection of new sources of U.S. gas supply to the existing Canadian Mainline infrastructure to maintain its existing markets and competitive position.

- December 2009. The FERC issued a Final Environmental Impact Statement (*FEIS*) for the Bison Pipeline Project (*Bison*), a proposed 487 km (303 mile) pipeline from the Powder River Basin in Wyoming to the Northern Border Pipeline system in Morton County, North Dakota.

2008

Pipeline Developments

- February 2008. In 2005, certain subsidiaries of Calpine Corporation (*Calpine*) filed for bankruptcy protection in both Canada and the U.S. The Portland System and Gas Transmission Northwest Corporation (*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 Keystone Oil Pipeline. The Presidential Permit was issued following the issuance by the U.S. Department of State of the 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 commenced in late 2009 with commercial operations expected to follow in mid-2010. Commissioning of the segment providing service to Cushing is expected to commence in late 2010.

- April 2008. An expansion to TCPL s Alberta System in the Fort McMurray area, comprising a total of approximately 150 km (93 miles), 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 2013 of 500,000 Bbl/d from Western Canada to the United States Gulf Coast, near existing terminals in Port Arthur, Texas.

- 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 Bison.

- October 29, 2008. TCPL announced that the Keystone Oil Pipeline system successfully conducted an open season for expansion and extension to the United States Gulf Coast by securing additional firm, long-term contracts on the system.

- December 5, 2008. The Alaska Commissioner of Revenue and Natural Resources issued the *Alaska Gasline Inducement Act* (*AGIA*) license to TCPL to advance the Alaska Pipeline Project, following 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 FERC certification. TCPL has commenced the engineering, environmental, field and commercial work. 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 through sole funding of cash calls.

Regulatory Matters

- January 2008. 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 NEB to increase the interim tolls on 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 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. An oral hearing to discuss this matter began on November 18, 2008, concluded on November 28, 2008 and a decision was issued on February 26, 2009.

- 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 591,000 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 AUC approved TCPL s application for a permit to construct the North Central Corridor expansion, at a cost of approximately $925 million. 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.

- December 2008. Palomar Gas Transmission LLC applied to the FERC for a certificate to build the 349 km (217 mile) Palomar pipeline which would extend from the GTN System (as defined below) in central Oregon to the Columbia River northwest of Portland. The proposed Palomar pipeline is a 50/50 joint venture of GTNC and Northwest Natural Gas Co. Palomar is currently in discussions with potential shippers to secure additional shipping commitments for the project.

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 591,000 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 Limited 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. 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.

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.

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

Developments in the Energy Business

TCPL has built a substantial energy business over the past decade and has achieved a major presence in power generation in selected regions of Canada and U.S. More recently, TCPL has also developed a substantial 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

Energy Developments

- February 19, 2009. The FERC approved two separate applications filed by TCPL 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 primarily wind generated electricity to markets in the southwestern United States. The open seasons commenced on October 13, 2009 and closed in December 2009. A comprehensive review of the bids submitted for each project will be undertaken.

- April 2009. Portlands Energy Centre, a natural gas fired combined-cycle power plant near downtown Toronto, Ontario (*Portlands Energy Centre*) was fully commissioned, ahead of time and under budget. Portlands Energy Centre, which is 50 per cent owned by TCPL, is able to provide 550 MW of electricity under a 20 year Accelerated Clean Air Supply contract with the Ontario Power Authority.

- June 9, 2009. 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*) through 2010. This followed on TCPL s agreement with Hydro-Québec Distribution to temporarily suspend all electricity generation from Bécancour during 2009. TCPL will continue to receive payments under the agreement similar to those that would have been received under the normal course of operation.

- July 2009. Bruce Power and the Ontario Power Authority amended certain terms and conditions included in the Bruce Power Refurbishment Implementation Agreement. The amendments are consistent with the intent of the agreement, originally signed in 2005, and recognize the significant changes in Ontario s electricity market. Under the original agreement, Bruce Power A L.P. (*Bruce A*) committed to refurbish and restart the currently idle Units 1 and 2, extend the operating life of Unit 3 and replace the steam generators on Unit 4. An amendment in 2007 provided for a full refurbishment of Unit 4, which will extend the expected operating life of the unit. This most recent amendment included amendments to the Bruce Power L.P. (*Bruce B*) floor price mechanism, the removal of a support payment cap for Bruce A, an amendment to the capital cost-sharing mechanism, and provision for deemed generation payments to Bruce Power at the contract prices under circumstances where generation from Bruce A and Bruce B is reduced due to system curtailments on the Independent Electricity System Operator controlled grid in Ontario. The Bruce A Unit 1 and 2 refurbishment and restart project continues. Unit 2 is expected to be restarted in mid-2011 with the Unit 1 restart to follow approximately four months later. TCPL expects its share of the capital costs to complete the project to be approximately $2 billion. Bruce Power continues to advance an initiative to further extend the operating lives of Units 3 and 4. Unit 4 is now expected to continue to operate beyond 2018 and plans are in place to implement an extensive maintenance program that, if successful and approved by the Canadian Nuclear Safety Commission, would result in the life of Unit 3 being extended for a similar period of time.

- August 2009. TCPL began construction of the US$500 million Coolidge Generating Station (*Coolidge*), a 575 MW simple-cycle natural gas-fired peaking power generation station to be located 72 km (45 miles) southeast of Phoenix in Coolidge, Arizona. The facility is expected to be placed in service in second quarter 2011.

- September 30, 2009. The Ontario Power Authority advised TCPL that it was awarded a 20-year clean energy supply contract to build, own and operate the 900 MW Oakville Generating Station in Oakville, Ontario. TCPL expects to invest approximately $1.2 billion in the natural gas fired combined cycle plant which is scheduled to be in service in first quarter 2014. Commencement of construction of the project is dependent on receipt of permits and approvals from the municipal authority and on approval from the Ministry of Environment on impacts such as air quality and noise.

- October 9, 2009. Operations began at the Kibby Wind Power Project in northern Franklin County, Maine, with half of the project s 44 wind turbines operational by October 30, 2009. The second phase is under construction and is expected to be in service in third quarter 2010. The Kibby Wind Power Project is expected to have the capacity to produce 132 MW. Capital cost is expected to be approximately US$320 million.

- Third quarter 2009. Construction activity began on the 212 MW Gros-Morne and 58 MW Montagne-Sèche wind farms. These are the fourth and fifth Québec based wind farms of a wind energy project contracted by Hydro-Québec Distribution in the Gaspé Region of Québec (the *Cartier Wind Energy Project*), which is 62 per cent owned by TCPL. The Montagne-Sèche project and phase one of the Gros-Morne project (101 MW) are expected to be operational by 2011. Phase two of the Gros-Morne project (111 MW) is expected to be operational by 2012.

Regulatory Matters

- April 13, 2009. The United States Secretary of Commerce issued its decision denying the appeal filed by Broadwater Energy, LLC on the ruling by the New York State Department of State (*NYSDOS*) regarding the Broadwater liquefied natural gas (*LNG*) project (*Broadwater*). A joint venture with Shell U.S. Gas & Power LLC, Broadwater is a proposed offshore LNG facility in Long Island Sound, New York, which received approval by FERC in March 2008. In April 2008, NYSDOS determined that construction and operation of the project would not be consistent with the state s coastal zone policies. Broadwater Energy, LLC filed the appeal on the decision of the NYSDOS on June 6, 2008, 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.

2008

Energy Developments

- January 2008. A milestone in the Bruce A Units 1 and 2 refurbishment and restart project was completed when the sixteenth and final new steam generator was installed. 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-sharing mechanism under the agreement with the Ontario Power Authority, as amended in July 2009. Bruce A Units 1 and 2 are expected to produce 1,500 MW when completed.

- 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. A 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 was expected to be approximately $3.4 billion, up from an original 2005 cost estimate of $2.75 billion. TCPL s share was 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 Agricultural Improvement and Power District, signed a 20 year power purchase agreement to secure 100 per cent of the output from Coolidge. In December 2008, the Arizona Corporation Commission granted a Certificate of Environmental Compatibility approving Coolidge.

- 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. Commissioning of the first phase occurred in October 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 purchase agreement with KeySpan Corporation and certain subsidiaries. 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 five phases of 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. As a result of the review, Unit 3 was expected to be in commercial service until 2011, providing an additional two years of generation before refurbishment. After the refurbishment, the end of life estimate for Unit 3 was to be extended to 2038. The review also showed that Unit 4 was expected to remain in commercial service until 2016, providing seven years of generation before refurbishment after which the end of life estimate for Unit 4 was expected to be extended to 2042.

Regulatory Matters

- January 11, 2008. The FERC issued its FEIS for Broadwater. 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 would 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 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.

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.

Further information about developments in the Energy business can be found in the MD&A under the headings TransCanada s Strategy , Energy Highlights and Energy Opportunities and Developments .

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 this offering were used to partially fund TCPL s capital projects, retire maturing debt obligations and for general corporate purposes. These notes were issued by way of prospectus supplement under a US$3.0 billion debt base 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 were used to fund the Alberta System and Canadian Mainline rate bases. These notes were issued by way of pricing supplements under a $1.5 billion debt base shelf prospectus filed in March, 2007.

- June 16, 2009. TransCanada entered into an underwriting agreement with a syndicate of underwriters led by RBC Capital Markets, BMO Capital Markets and TD Securities Inc. under which the underwriters agreed to purchase from

TransCanada 50,800,000 common shares of TransCanada (referred to in this section as *Common Shares*) and sell the Common Shares to the public at a purchase price of $31.50 per Common Share. The underwriters were also granted an over-allotment option to purchase an additional 7,620,000 Common Shares at the same price. The offering was completed on June 24, 2009 and, together with the full exercise of the over-allotment option by the underwriters, 58,420,000 Common Shares were issued resulting in gross proceeds to TransCanada of approximately $1.84 billion which were used to partially fund capital projects, including the acquisition of the remaining interests in the Keystone Oil Pipeline system, for general corporate purposes and to repay short-term indebtedness. These shares were issued by way of prospectus supplement to a $3.0 billion base shelf prospectus dated July 2, 2008.

- September 22, 2009. TransCanada entered into an underwriting agreement with a syndicate of underwriters led by Scotia Capital Inc. and RBC Capital Markets, under which the underwriters agreed to purchase from TransCanada 22,000,000 cumulative redeemable first preferred shares, series 1 (*Series 1 Preferred Shares*) and sell the Series 1 Preferred Shares to the public at a purchase price of $25.00 per share. The offering was completed on September 30, 2009 resulting in gross proceeds to TransCanada of $550 million which were used by TransCanada to partially fund capital projects, for general corporate purposes and to repay short-term indebtedness. These shares were issued by way of prospectus supplement to a $3.0 billion base shelf prospectus dated September 21, 2009.

- December 2009. TransCanada PipeLine USA Ltd. established a US$1.0 billion committed, syndicated revolving credit facility maturing December 2012, with a one year term extension at the option of the borrower. This facility is guaranteed by TCPL and was fully available at December 31, 2009.

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 resulting in gross proceeds to TCPL of approximately $1.27 billion to be used 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 by way of prospectus supplement under a $3.0 billion 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 which was extendible by the Company for an additional six month term. On August 25, 2008, TCPL used US$255 million from this facility to fund a portion of the Ravenswood acquisition and cancelled the remainder of the commitment. In February 2009, the US$255 million was repaid and the facility was cancelled.

- 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 6.50 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 by way of prospectus supplement under a US$2.5 billion debt base shelf prospectus filed in September, 2007.

- August 20, 2008. TCPL completed the 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 by way of a pricing supplement under a $1.5 billion debt base 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 by way of prospectus supplement under a $3.0 billion base shelf prospectus filed in July 2008.

- November 2008. Keystone U.S. established a US$1.0 billion committed, syndicated revolving credit facility, guaranteed by TCPL, maturing November 2010 but extendible to November 2011 at the option of the borrower. The facility was fully available at December 31, 2009 and supports a commercial paper program dedicated to funding a portion of expenditures for Keystone U.S. and for Keystone U.S. general partnership purposes.

Further information about financing activities can be found in the MD&A under the headings Short-Term Debt Financing Activities , 2009 Long-Term Debt Financing Activities , 2008 Long-Term Debt Financing Activities , 2007 Long-Term Debt Financing Activities , 2009 Equity 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 53 per cent of revenues and 67 per cent of TCPL s total assets and Energy accounted for approximately 47 per cent of revenues and 28 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, 2009 and 2008.

Revenues From Operations *(millions of dollars)*	**2009**	**2008**
Pipelines		
Canada - Domestic	$2,389	$2,005
Canada - Export(1)	755	1,123
United States	1,585	1,522
	4,729	4,650
Energy(2)		
Canada - Domestic	2,788	2,594
Canada - Export(1)	1	2
United States	1,448	1,373
	4,237	3,969
Total Revenues(3)	$8,966	$8,619

(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 60,000 km (37,282 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. The following pipelines are owned 100 per cent by TCPL unless otherwise stated.

Canada

- TCPL s Canadian Mainline is a 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 natural gas transmission system in Alberta which 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 third party natural gas pipelines. The 23,905 km (14,854 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) crude oil pipeline project that will initially transport crude oil from Hardisty, Alberta to U.S. Midwest markets at Wood River and Patoka, Illinois, and to Cushing, Oklahoma. Commissioning of the segment to Wood River and Patoka began in late 2009 and commercial operation is expected to commence in mid-2010. Commissioning of the segment to Cushing is expected to begin in late 2010 and operations expected to commence in first quarter 2011. Pending regulatory approval, an expansion to the United States Gulf Coast is expected to be completed and in service in first quarter 2013, adding approximately 2,720 km (1,690 miles) of pipe to the system. In August of 2009, TCPL became the sole owner of the Keystone Oil Pipeline system.

- TCPL s Foothills System is a 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 owns a 161 km (100 mile) pipeline and related facilities that supply natural gas to the oilsands region of northern Alberta as well as a 27 km (17 mile) pipeline that supplies natural gas to a petrochemical complex at Joffre, Alberta.

- 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 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 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 natural gas transmission system which extends 2,174 km (1,351 miles) and links the Foothills System and Rocky Mountain sourced natural gas with third party natural gas pipelines in Washington, Oregon and California, and with the Tuscarora Gas Transmission Company (*Tuscarora*) pipeline.

- Bison pipeline is a proposed 487 km (303 mile) natural gas pipeline from the Powder River Basin in Wyoming connecting to the Northern Border Pipeline System in North Dakota. The FERC issued a FEIS for Bison in December 2009 and the project is in the final stages of the regulatory approval process. TCPL expects to begin construction in May 2010. The Bison pipeline has shipping commitments for approximately 407 MMcf/d and is expected to be placed in-service in fourth quarter 2010.

- 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 serves markets primarily in Central Canada and the Midwestern U.S. TCPL operates the Great Lakes System and effectively owns 71.3 per cent of the system through its 53.6 per cent ownership interest and its indirect ownership, which it has through its 38.2 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. TCPL operates and effectively owns 19.1 per cent of the NBPL System through its 38.2 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 38.2 per cent of the system through its 38.2 per cent interest in TC PipeLines, LP.

- North Baja is 100 per cent owned by TC PipeLines, LP and is a 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 a third party natural gas pipeline system in Mexico. TCPL operates the North Baja system and effectively owns 38.2 per cent of the system through its 38.2 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 38.2 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, 46.4 per cent in the Great Lakes System, 100 per cent of Tuscarora and 100 per cent of North Baja.

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 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.

- The proposed Guadalajara Pipeline is under construction and when completed will extend approximately 305 km (190 miles) from Manzanillo on Mexico s Pacific coast to Guadalajara.

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, FOOTHILLS AND ALBERTA SYSTEMS

Under the terms of the *National Energy Board Act* (Canada), the Canadian Mainline, TQM, Foothills, and Alberta Systems (collectively, the *Systems*) are regulated by the NEB (the Alberta System became subject to federal jurisdiction on April 29, 2009 following NEB approval of an application by TransCanada). The NEB sets tolls which provide TCPL the opportunity to recover projected costs of transporting natural gas, including the return on the average investment base for each of the Systems. In addition, new facilities are approved by the NEB before construction begins and the NEB regulates the operations of each of the Systems. Net earnings of the Systems may be affected by changes in investment base, the allowed return on equity, the level of deemed common equity and any incentive earnings.

KEYSTONE OIL PIPELINE

The NEB regulates the terms and conditions of service, including rates, and the physical operation of the Canadian portion of the Keystone Oil Pipeline. NEB approval is also required for facility additions, such as the Canadian portion of the proposed Gulf Coast expansion project, which was sought through an application in 2009. The NEB is expected to issue a decision in first quarter 2010.

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 and ownership and operation of non-regulated natural gas storage in Alberta.

The electrical power generation plants and power supply that TCPL has an interest in, including those under development, in the aggregate, represent more than 11,700 MW of power generation capacity. Power plants and power supply in Canada account for approximately 63 per cent of this total, and power plants in the U.S. account for the balance, being approximately 37 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 consists 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 expiring in 2026. Steam is also sold to an industrial customer for use in commercial processes. Since 2008, electricity generation at the Bécancour power plant has been temporarily suspended due to an agreement entered into with Hydro-Québec. Under this agreement, TCPL continues to receive payments similar to those that would have been received under the normal course of operation.

- 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 on the site of the Irving Oil Limited oil refinery in Saint John, New Brunswick. Irving Oil Limited is under a 20 year tolling arrangement that expires in 2025, to supply fuel for the plant and to contract 100 per cent of the plant s heat and electricity output.

- Cancarb, a 27 MW facility located in 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 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*) that 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 that expires in 2020 (*Sheerness*).

TCPL has interests in the following:

- Two nuclear power generating stations, Bruce A, which is owned 48.8 per cent by TCPL and has four 750 MW reactors, of which two are currently operating and two are being refurbished, and Bruce B, which is owned 31.6 per cent by TCPL and has four operating reactors with a combined capacity of approximately 3,200 MW. Bruce Power is two partnerships with generating facilities and offices located on 2,300 acres northwest of Toronto, Ontario on which are housed Bruce A and Bruce B.

- A 60 per cent ownership in CrossAlta, which is a 68 Bcf underground natural gas storage facility connected to the Alberta System near Crossfield, Alberta. The facility s central processing system is capable of maximum injection and withdrawal rates of 550 MMcf/d of natural gas.

- 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.

- The Portlands Energy Centre, a 550 MW, combined-cycle natural gas generation power plant located in Toronto, Ontario is 50 per cent owned by TCPL. The plant went into service in simple-cycle mode, capable of delivering 340 MW of electricity in the summer of 2008 and was fully commissioned in April of 2009. This facility provides power under a 20 year Accelerated Clean Energy Supply contract with the Ontario Power Authority.

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

- Oakville Generating Station, a proposed 900 MW natural gas fired combined cycle plant in Oakville, Ontario. TCPL was awarded a 20-year clean energy supply contract to build, own and operate the Oakville Generating Station in September 2009. TCPL expects to invest approximately $1.2 billion in the project which is scheduled to be in service in first quarter 2014.

- The Cartier Wind Energy Project consists of five wind projects in the Gaspé region of Québec contracted by Hydro-Québec Distribution representing a total of 590 MW when all five wind projects are complete. Three of the wind farms are constructed and in service as noted above, and two are currently under construction. The two remaining projects are expected to be placed in service at the end of 2011 and 2012, respectively and have a generating capacity of 270 MW, subject to the necessary approvals. Cartier Wind is 62 per cent owned by TCPL. All of the power produced by Cartier Wind Energy Project is sold to Hydro-Québec Distribution under a 20-year power purchase agreement. In fourth quarter 2009, the proposed 150 MW Les Méchins wind farm project was cancelled due to unavailability of cost-effective wind turbines and difficulty reaching acceptable agreements with private landowners. This decision has no impact on the other Cartier Wind Energy projects.

- 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. All of the power produced by the facility is contracted to be sold to the Ontario Power Authority under a 20-year clean energy supply contract.

- 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 expects 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, construction commenced in August 2009 and the project is expected to be placed in service in second quarter 2011. The power output will be supplied to the Phoenix, Arizona based Salt River Project Agricultural Improvement and Power District under a 20-year power purchase contract.

- The 132 MW Kibby wind power project is under construction and is planned to include 44 turbines located in Kibby and Skinner townships in Maine. Construction began in July 2008 and commissioning of the first phase occurred in October 2009 with half the turbines operational and a generating capacity of 66 MW, and the second phase which consists of the remaining 22 turbines is expected to go into service in 2010 with a generating capacity of 66 MW.

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 Highlights , Energy Financial Analysis , and Energy Opportunities and Developments .

GENERAL

Employees

At Year End, TCPL had approximately 4,165 full time active employees, substantially all of whom were employed in Canada and the U.S., as set forth in the following table.

Western Canada (excluding Calgary)		444
Calgary		1,832
Eastern Canada		258
U.S. West Coast		150
U.S. Mid West		476
U.S. Northeast		408
U.S. Southeast/Gulf Coast		201
Houston		387
Mexico and South America		9
	Total	4,165

Social and Environmental Policies

Health, safety and environment (*HS&E*) are top priorities in all of TCPL s operations and activities in these areas are guided by the Company s HS&E Commitment Statement (the *Commitment Statement*). The Commitment Statement outlines guiding principles for a safe and healthy environment for TCPL s employees, contractors and the public, and for TCPL s commitment to protect the environment. All employees are held responsible and accountable for HS&E performance. 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 their 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.

TCPL is committed to ensuring compliance with its internal policies and legislated requirements. The HS&E Committee of TCPL s board of directors (the *Board*) monitors compliance with the Company s HS&E corporate policy through regular reporting. TCPL s HS&E management system is modeled on the International Organization for 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 December 2009 and did not identify any material issues. The HS&E management system also is subject to ongoing internal review to ensure that it remains effective as circumstances change.

In 2009, employee and contractor health and safety performance continued to be a top priority. TCPL s objective is a health and safety performance consistent with top quartile companies in its sectors. Overall, the safety frequency rates in 2009 continued to be better than most industry benchmarks.

The safety and integrity of TCPL s existing and newly developed energy infrastructure also continued to be top priorities. All new assets are designed, constructed and commissioned with full consideration given to safety and integrity, and are not brought into service until all necessary requirements are satisfied. The Company expects to spend approximately $181 million in 2010 for pipeline integrity on its wholly owned pipelines, which is $10 million higher than in 2009 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 regulated pipelines are treated on a flow-through basis and, as a result, have no impact on TCPL s earnings. Under the Keystone Oil Pipeline contracts, pipeline integrity expenditures are recovered through the tolling mechanism and, as a result, have no impact on TCPL s earnings. Expenditures for the GTN System may also be recovered through a cost recovery mechanism in its rates. TCPL s pipeline safety record in 2009 continued to be above industry benchmarks. TCPL experienced three pipeline breaks in 2009. The first occurred in a remote part of northern Alberta. The other two occurred in rural parts of northern Ontario. The breaks resulted in minimal impact with no injuries and only minor property damage in one of the incidents. All three incidents were subject to a Level 3 investigation by the Transportation Safety Board of Canada. Spending associated with public safety on the Energy assets is focused primarily on TCPL s 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. TCPL has ongoing inspection programs designed to keep all of its facilities in compliance with environmental requirements and TCPL is confident that its systems are in material compliance with the applicable requirements.

In 2009, TCPL conducted environmental risk assessments and remediation work, as well as various retirement, reclamation and restoration activities on its Canadian and U.S. facilities. At December 31, 2009, TCPL had recorded liabilities of approximately $91 million (2008 - $86 million) for remediation obligations and compliance costs associated with greenhouse gas (*GHG*) legislation, including contingencies. The Company believes it has considered all necessary contingencies and established appropriate reserves for environmental liabilities, however, there is the risk that unforeseen matters may arise requiring the Company to set aside additional amounts.

TCPL is not aware of any material outstanding orders, 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.

North American climate change policy continues to evolve at regional and national levels. In 2009, TCPL owned assets in three Canadian provinces where regulations exist to address industrial GHG emissions. TCPL has put in place procedures to address these regulations.

In Alberta, under the Specified Gas Emitters Regulation, industrial facilities are required to reduce GHG emissions intensities by 12 per cent effective July 2007. TCPL s Alberta-based facilities are subject to this regulation, as are the Sundance and Sheerness coal-fired power facilities with which TCPL has power purchase agreements. As an alternative to reducing emissions intensities, compliance can be achieved through the retirement of offsets or payments to a technology fund at a cost of $15 per tonne of carbon dioxide (*CO2*) emissions in excess of the mandated reduction. A program is in place to manage the compliance costs incurred by these assets as a result of regulation. Compliance costs on the Alberta System are recovered through tolls paid by customers. Recovery of compliance costs at TCPL s power generation facilities in Alberta is dependent ultimately on market prices for electricity. TCPL has estimated and recorded costs of $17 million for 2009. These costs will be finalized when compliance reports are submitted in March 2010.

The hydrocarbon royalty in Québec is collected by the natural gas distributor on behalf of the Québec government through a green fund contribution charge on gas consumed. In 2009, the cost pertaining to the Bécancour facility arising from the hydrocarbon royalty was less than $1 million as a result of an agreement between TransCanada and Hydro-Québec to temporarily suspend the facility s power generation. The cost is expected to increase substantially when the plant returns to service.

British Columbia s carbon tax, which came into effect in mid-2008, applies to CO2 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 in 2009 were $3 million. The cost per tonne of CO_2 was $15 in 2009 and will increase to $20 per tonne and $25 per tonne in 2010 and 2011, respectively.

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. Under the RGGI, both the Ravenswood and Ocean State Power generation facilities will be required to submit allowances by December 31, 2011. TCPL participated in the quarterly auctions of allowances for the Ravenswood and Ocean State power generation facilities and incurred related costs of $8 million in 2009. These costs were generally recovered through the power market and the net impact on TCPL was not significant.

RISK FACTORS

Environmental Risk Factors

Environmental risks from TCPL s operating facilities typically include: air emissions, such as nitrogen oxides, 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 and TCPL believes it has considered all necessary contingencies and established appropriate reserves for environmental liabilities. However, there is the risk that unforeseen matters may arise requiring TCPL to set aside additional monies.

As mentioned above, 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. It is not possible for TCPL to estimate the amount and timing of all future expenditures related to environmental matters due to:

- uncertainties in estimating pollution control and clean up costs, including at 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.

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 affect 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 are or will be captured under federal and/or regional climate change regulations to manage industrial GHG emissions. Certain initiatives are outlined below.

The Canadian government has continued to express interest in pursuing a harmonized continental climate change strategy. In January 2010, Environment Canada listed a revised target to the United Nations Framework Convention on Climate Change as part of its submission for the Copenhagen Accord. The submitted target represents a 17 per cent GHG emissions reduction by 2020 relative to 2005 levels. The submission states that Canada will align with the final economy-wide emissions targets of the United States in enacted legislation. TCPL expects that pipeline and power generation facility emissions will be subject to the reduction targets for industrial emitters.

Climate change is a strategic issue for the United States government and federal policy to manage domestic GHG emissions continues to be a priority. The Environmental Protection Agency has released an endangerment finding regarding GHG emissions under the Clean Air Act. This finding was to determine whether the six types of GHGs in the atmosphere threaten the health and welfare of current and future generations. The United States House passed a climate bill in June and the Senate is deliberating on a series of climate bills.

At a regional level, TCPL has assets located in provinces where members of the Western Climate Initiative (WCI) have drafted regulations that apply to industrial GHG emitters. The Canadian WCI members include B.C., Manitoba, Ontario and Québec. The draft climate change strategies are expected to come into effect in 2012 and are expected to affect TCPL s pipeline and power facilities. The details of how these provincial programs will align with the Canadian government s climate change policies remain uncertain.

Seven western U.S. states, along with the four Canadian provinces discussed above, are focused on the implementation of a cap and trade program under the WCI. Members of the WCI have set a GHG emission target of 15 per cent below 2005 levels by 2020. California, a WCI founding member, has released draft cap and trade regulations that, if enacted, are anticipated to have an impact on the Company s pipeline assets in the state. The financial implications are not expected to be material. Under the current form of draft regulations in Washington and Oregon it is expected that there will not be a significant cost of compliance in these states. TCPL will continue to monitor these developments.

Participants in the Midwestern Greenhouse Gas Reduction Accord, which involves six U.S. states and the province of Manitoba, are developing a regional strategy for reducing members GHG emissions that will include a multi-sector cap and trade mechanism. Draft recommendations have been released but as yet not formally endorsed by participant states and Manitoba.

TCPL monitors climate change policy developments and, when warranted, participates in policy discussions in jurisdictions where the Company has operations. The Company 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 under the headings Pipelines - Opportunities and Developments , Pipelines - Business Risks , Pipelines Outlook , Energy - Opportunities and Developments , Energy - Business Risks , Energy Outlook and 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 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 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 dividends declared per share during the past three completed financial years are set forth in the following table.

	2009	2008	2007
Dividends declared on common shares(1)	**$1.62**	$1.49	$1.39
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 649,552,723 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 dividends as set out above under Dividends .

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 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, 2009.

Date Issued	**Issue Price per $1,000 Principal Amount of Notes**	**Aggregate Issue Price**
January 9, 2009	US$999.77(1)	US$749,827,500
January 9, 2009	US$991.48(1)	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 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	P-2
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 in the third highest of ten rating categories and indicates satisfactory credit quality. The overall strength and outlook for key liquidity, debt and profitability ratios 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 in 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 in 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 and TransCanada s preferred shares is in 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 1 and Baa2 ratings assigned to TCPL s junior subordinated debt and preferred shares, respectively, are in the fourth 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 in 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 and P-2 ratings assigned to TCPL s junior subordinated notes and TCPL s and TransCanada s preferred shares 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 2009, 51,536,066 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

January 30, 2009	2,205,006	$33.56	$74,000,000
April 30, 2009	1,727,575	$30.10	$52,000,000
July 31, 2009	17,973,856	$30.60	$550,000,000
Sept. 23, 2009	29,629,629	$33.75	$1,000,000,000

TransCanada s common shares are listed on the Toronto Stock Exchange (*TSX*) and the New York Stock Exchange (*NYSE*). TransCanada s Series 1 Preferred Shares have been listed for trading on the TSX since September 30, 2009. The following tables set forth the reported monthly high, low, and month-end closing trading prices and monthly trading volumes of the common shares of TransCanada on the TSX and the NYSE and the Series 1 Preferred Shares on the TSX 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 2009	36.49	33.51	36.19	28,627,985	34.59	32.15	34.37	6,351,654
November 2009	34.13	31.92	34.13	37,471,954	32.54	29.66	32.27	7,399,434
October 2009	33.95	32.31	33.16	31,079,808	32.90	29.86	30.54	7,941,688
September 2009	34.00	31.81	33.37	39,471,205	31.74	28.88	31.02	6,821,758
August 2009	32.76	30.78	32.60	33,574,588	30.29	28.05	29.68	8,761,058
July 2009	31.47	30.19	30.64	37,841,226	28.77	25.88	28.45	5,345,338
June 2009	34.40	30.25	31.32	60,066,715	30.93	26.17	26.91	9,109,155
May 2009	32.86	29.68	32.38	36,231,746	29.94	24.94	29.74	7,608,353
April 2009	30.76	29.34	29.78	35,458,519	25.63	23.20	24.97	10,426,740
March 2009	32.29	28.86	29.83	53,753,101	26.19	22.24	23.65	15,520,736
February 2009	34.24	29.61	30.90	30,216,886	28.05	20.01	24.06	15,409,226
January 2009	35.00	32.08	32.98	29,712,401	29.01	25.51	26.85	11,211,484

Series 1 Preferred Shares

	TSX (TRP.PR.A)			
Month	**High ($)**	**Low ($)**	**Close ($)**	**Volume Traded**
December 2009	26.20	25.51	26.00	917,214
November 2009	25.90	25.35	25.56	914,033
October 2009	25.50	25.01	25.40	1,866,602
September 2009	25.03	24.91	25.00	896,387

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 2009	50.45	49.40	50.45	34,599	49.99	49.26	49.80	32,439
November 2009	49.58	49.11	49.55	29,933	49.60	49.00	49.59	24,082
October 2009	49.70	48.90	49.17	29,957	49.75	49.00	49.15	31,441
September 2009	50.42	49.00	49.19	39,035	49.99	48.8	49.02	60,600
August 2009	50.49	47.01	50.00	47,658	50.49	47.5	49.99	41,895
July 2009	47.50	46.26	47.49	69,091	47.55	46.05	47.55	48,308
June 2009	47.05	46.56	46.56	65,081	47.59	46.26	46.30	37,667
May 2009	47.05	46.52	47.05	51,101	47.50	46.76	47.50	29,011
April 2009	47.25	46.25	47.05	58,459	47.50	46.07	47.00	41,581
March 2009	47.25	46.06	46.25	117,121	48.00	46.00	46.23	58,081
February 2009	47.25	44.79	47.00	53,474	47.50	45.80	47.00	24,332
January 2009	46.50	41.62	45.79	50,212	47.00	41.42	45.44	76,276

DIRECTORS AND OFFICERS

As of February 22, 2010, the directors and officers of TransCanada as a group beneficially owned, or exercised control or direction, directly or indirectly, over an aggregate of 504,537 Common Shares of TransCanada. This constitutes less than one per cent of TransCanada s 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. Each director holds office until the next annual meeting 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) DeWinton, Alberta Canada	President and Chief Executive Officer, Laidlaw International, Inc. (transportation services) from June 2003 to October 2007. Director, Emergency Medical Services Corporation.	2005
Derek H. Burney(2), 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. Director, Canwest Global Communications Corp. Lead director at Shell Canada Limited (oil and gas) from April 2001 to May 2007.	2005
Wendy K. Dobson Uxbridge, Ontario Canada	Professor, Rotman School of Management and Co-Director, Institute for International Business, University of Toronto. Director, the Toronto-Dominion Bank. Vice Chair of the Canadian Public Accountability Board until February 2010 and Chair of the audit committee of the same organization from 2003 to 2009.	1992
E. Linn Draper Lampasas, Texas United States	Director, Alliance Data Systems Corporation (data processing and services), Lead Director, Alpha Natural Resources, Inc. (mining), Director, NorthWestern Corporation (conducting business as NorthWestern Energy) (oil and gas) and Lead Director of Temple-Inland Inc. (materials).	2005
The Hon. Paule Gauthier, P.C., O.C., O.Q., Q.C. Québec, Québec Canada	Senior Partner, Stein Monast LLP (law firm). Director, Metro Inc., RBC Dexia Investor Services Trust and Royal Bank of Canada. Director, Cossette Inc. until December 23, 2009. Director, Institut Québecois des Hautes Études Internationales, Laval University from 2002 until 2009.	2002
Kerry L. Hawkins Winnipeg, Manitoba Canada	Director, NOVA Chemicals Corporation until July 6, 2009. President, Cargill Limited (agricultural) from September 1982 to December 2005.	1996
S. Barry Jackson Calgary, Alberta Canada	Chair of the Board, TransCanada 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
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.	2004
Harold N. Kvisle Calgary, Alberta Canada	President and Chief Executive Officer of TransCanada since May 2003 and TCPL since May 2001. Director, Bank of Montreal and ARC Energy Trust.	2001
John A. MacNaughton(3), 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). Chair of the Independent Nominating Committee of the new Canada Employment Insurance Financing Board since 2008. Founding President and Chief Executive Officer of the Canada Pension Plan Investment Board from 1999 to 2005.	2006

David P. O Brien(4) 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

Name and Place of Residence	**Principal Occupation During the Five Preceding Years**	**Director Since**
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(5)
D. Michael G. Stewart Calgary, Alberta Canada	Director, Canadian Energy Services & Technology Corp., Pengrowth Corporation and Orleans Energy Ltd. 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) Canwest Global Communications Corp. (*Canwest*) voluntarily entered into, and successfully obtained an Order from the Ontario Superior Court of Justice (Commercial Division) commencing proceedings under the *Companies Creditors Arrangement Act* on October 6, 2009. Following the filing, Canwest shares were de-listed from trading on the TSX and now trade on the TSX Venture Exchange.

(3) Nortel Networks Limited is the principal operating subsidiary of Nortel Networks Corporation (collectively referred to as *Nortel*). 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. On January 14, 2009, Nortel, and certain of Nortel s other Canadian subsidiaries filed for creditor protection under the *Companies Creditors Arrangement Act* (Canada).

(4) 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. Mr. O Brien resigned as a director of Air Canada on November 26, 2003.

(5) 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. 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:	J.A. MacNaughton	Chair:	E.L. Draper	Chair:	W.T. Stephens
Members:	D.H. Burney	Members:	K.E. Benson	Members:	W.K. Dobson	Members:	W.K. Dobson
	E.L. Draper		D.H. Burney		P. Gauthier		P. Gauthier
	P.L. Joskow		P.L. Joskow		K.L. Hawkins		K.L. Hawkins
	J.A. MacNaughton		D.P. O Brien		W.T. Stephens		D.P. O Brien
	D.M.G. Stewart		D.M.G. Stewart				S.B. Jackson
			S.B. Jackson				

The charters of the Audit Committee, 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 .

Further information about the Board committees and corporate governance can also be found on TransCanada s website.

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	Chief Operating Officer and President, Pipelines	Prior to July 2009, 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 and Executive Vice-President, Corporate Development	Prior to July 2009, 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 Major Projects	Prior to July 2009, 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 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 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 and of the SEC applicable to foreign issuers, 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 National 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 or at Schedule B to this AIF.

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 C 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, E. Linn Draper, 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 and on the audit committees of certain of those 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.

E. Linn Draper

Dr. Draper holds a Bachelor of Science in Chemical Engineering from Rice University and a Ph.D. in Nuclear Science and Engineering from Cornell University. Dr. Draper was Chairman, President and Chief Executive Officer of American Electric Power Co., Inc. until 2004. He previously served as Chairman, President and Chief Executive Officer of Gulf States Utilities Company. Dr. Draper has served and continues to serve on several other public company 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 a 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 CNSX Markets Inc. (formerly 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 has served on the audit committee of other public companies.

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 36 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 2009 and 2008 fiscal years.

Fee Category	**2009**	**2008**	**Description of Fee Category**
	(millions of dollars)		
Audit Fees	**$7.14**	**$6.69**	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	**$0.15**	**$0.08**	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	**$1.13**	**$0.14**	Aggregate fees rendered for tax planning and tax compliance advice. The nature of these services consisted of domestic and international tax planning advice and tax compliance matters including the review of income tax returns and other tax filings.
All Other Fees	**$0.43**	**$0.37**	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	**$8.85**	**$7.28**	

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 22, 2010.

Director	**TransCanada Common Shares(1)**	**Deferred Share Units(2)**
K. Benson	13,000	27,230
D. Burney	4,227	24,904
W. Dobson	6,000	40,904
E.L. Draper	0	27,602
P. Gauthier	2,000	35,405
K. Hawkins(3)	5,013	54,276
S.B. Jackson	39,000	50,101
P.L. Joskow	5,000	19,833
H. Kvisle(4)(5)	1,111,899	N/A
J. MacNaughton	50,000	20,339
D. O Brien	51,177	36,649
W. T. Stephens	1,470	8,327
D.M.G. Stewart(6)	11,402	11,003

(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 1,025,847 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 518 shares held by Mr. Stewart s wife.

COMPENSATION OF DIRECTORS

Unless as otherwise defined in the following sections, all capitalized terms used from herein shall have the same meaning ascribed to them in TransCanada s Management Proxy Circular (the *Proxy Circular*), dated February 22, 2010.

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 significant 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 under the heading Compensation Discussion and Analysis) and a general industry sample of Canadian companies, using an analysis provided by an outside consultant. Its 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 the current compensation paid to directors. The compensation philosophy for directors compensation is different than that for the executive officers discussed under the heading Compensation Discussion and Analysis in that it is not directly based on the performance of the Company.

DIRECTOR COMPENSATION TABLE

The following table sets forth the total compensation paid by TCPL to directors in 2009.

Name (a)	Fees Earned(1) ($) (b)	Share-based Awards(2) ($) (c)	All Other Compensation ($) (d)	Total ($) (e)
K.E. Benson	126,891	77,134	-	204,025
D.H. Burney	113,500	72,000	-	185,500
W.K. Dobson	113,843	72,000	-	185,843
E.L. Draper	122,000	72,000	-	194,000
P. Gauthier	115,000	72,000	-	187,000
K.L. Hawkins	118,000	72,000	-	190,000
S.B. Jackson(3)	213,000	180,000	29,007	393,000
P.L. Joskow	109,000	72,000	-	181,000
J.A. MacNaughton	120,157	72,000	-	192,157
D.P. O Brien	109,000	72,000	-	181,000
W.T. Stephens	123,500	72,000	-	195,500
D.M.G. Stewart	112,000	72,000	-	184,000

(1) Includes all annual Board and committee retainers and meeting fees paid in cash.

(2) These amounts reflect the portion of the Board retainer ($72,000) and the Board Chair retainer ($180,000) that is required to be paid in DSUs. Each director may choose to receive all or some of the balance of their fees in DSUs and in such event, these amounts have been included in this column, Fees Earned . Directors may also 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 2009.

(3) The Chair was reimbursed for certain office and other expenses of approximately $29,007 in 2009.

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 2009 are set forth in the following table. Directors who are U.S. residents are paid the same amounts as outlined below in U.S. dollars. There were no changes to directors fees in 2009.

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 5,537 DSUs and 2,214 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 in 2009 of $29.83, $31.32, $33.37 and $36.19, 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 2009, Mr. Benson, Mr. Burney, Dr. Draper and Mr. Hawkins directed all of their retainers, meeting fees and travel fees to be paid in DSUs. Ms. Gauthier directed her Committee retainers, Committee meeting fees and travel fees to be paid in DSUs. Mr. MacNaughton directed his Board and Committee retainers, Board meeting fees and travel fees to be paid in DSUs. Mr. O Brien directed his 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.

2009 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 2009 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)	152,125	7,813	5,892	14,524	17,281	4,890	1,500	0	204,025	204,025
D.H. Burney	142,000	9,000	N/A	12,000	13,500	7,500	1,500	0	185,500	185,500
W.K. Dobson(5)	142,000	9,000	1,843	12,000	15,000	4,500	1,500	113,843	72,000	185,843
E.L. Draper(6)(7)	142,000	9,000	5,500	10,500	16,500	9,000	1,500	0	194,000	194,000
P. Gauthier(8)	142,000	9,000	N/A	13,500	13,500	7,500	1,500	85,000	102,000	187,000
K.L. Hawkins(9)	142,000	9,000	N/A	13,500	13,500	10,500	1,500	0	190,000	190,000
S.B. Jackson(10)	360,000	N/A	N/A	27,000	N/A	3,000	3,000	0	393,000	393,000
P.L. Joskow(6)	142,000	9,000	N/A	10,500	10,500	7,500	1,500	109,000	72,000	181,000
J.A. MacNaughton(5)	142,000	9,000	3,657	13,500	15,000	7,500	1,500	15,000	177,157	192,157
D.P. O Brien	142,000	9,000	N/A	13,500	12,000	3,000	1,500	39,000	142,000	181,000
W.T. Stephens(6)	142,000	9,000	5,500	12,000	16,500	9,000	1,500	123,500	72,000	195,500
D.M.G. Stewart(11)	142,000	9,000	N/A	13,500	15,000	3,000	1,500	112,000	72,000	184,000

(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.

(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) Mr. Benson became a member of the Governance Committee on April 30, 2009. He was paid a pro-rated committee retainer reflecting this new membership for the second quarter. As of April 15, 2009, Mr. Benson relocated to Canada from the U.S.; for the period January 1 to April 14, 2009, Mr. Benson s fees and retainers were paid in U.S. dollars and as of April 15, 2009 his fees and retainers were paid in Canadian dollars. Any retainers and fees that were originally paid to Mr. Benson in U.S. dollars prior to April 15, have been converted to Canadian dollars and are included in the above amounts.

(5) On April 30, 2009, Dr. Dobson ceased to be the Chair of the Governance Committee when Mr. MacNaughton became Chair and, as a result, their committee retainers have been pro-rated accordingly. On April 30, 2009, Dr. Dobson became a member of the Health, Safety and Environment Committee.

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

(7) Dr. Draper was a member of the Human Resources Committee until April 30, 2009 when he became a member of the Audit Committee.

(8) Ms. Gauthier was a member of the Audit Committee until April 30, 2009 when she became a member of the Human Resources Committee.

(9) Mr. Hawkins chaired the September 14, 2009 Human Resources Committee meeting in Mr. Stephens absence. He was paid the fee of $1,500 for chairing the meeting.

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

(11) Mr. Stewart chaired the February 2, 2009 Audit Committee meeting in Mr. Benson s absence. He was paid the fee of $1,500 for chairing the meeting. Mr. Stewart was a member of the Health, Safety and Environment Committee until April 30, 2009 when he became a member of the Governance Committee.

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 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. Should a director s shareholdings fall below the minimum threshold at any time after having met such threshold, the director is expected to ensure he or she re-attains the minimum threshold within a reasonable amount of time as determined and reviewed by the Governance Committee.

As of February 22, 2010, all of the directors have achieved the minimum share ownership requirement other than Mr. Stephens who has until 2012 (five years from the date he became a director) to achieve the minimum share ownership requirement.

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 in DSUs any portion of their retainers and meeting fees (including travel fees) regularly paid in cash. 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

TCPL and its subsidiaries are subject to various 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 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 its Canadian transfer facilities in the 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 22, 2010
Alaska Pipeline System	A 4.5 Bcf/d natural gas pipeline that would extend 2,737 km (1,700 miles) from a new natural gas treatment plant at Prudhoe Bay, Alaska to Alberta
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	A subsidiary of Canadian Utilities Limited
AUC	Alberta Utilities Commission
Bbl/d	Barrels per day
Bcf	Billion cubic feet
Bécancour	A natural gas-fired cogeneration plant near Trois-Rivières, Québec
Bison	The Bison Pipeline Project, a proposed 302-mile pipeline from the Powder River Basin in Wyoming to the NBPL System
Board	TransCanada 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 proposed 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
Cartier Wind Energy Project	Five wind energy projects contracted by Hydro-Québec Distribution representing a total of 590 MW in the Gaspé region of Québec
Chinook	A proposed 500 Kilovolt high voltage direct current transmission project, originating in Montana and extending 1,600 km to Nevada
CO2	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
Horn River Project	A proposed 158 km (98 mile) pipeline to connect new shale gas supply in the Horn River basin north of Fort Nelson, B.C., to the Alberta System
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
Keystone U.S.	TransCanada Keystone Pipeline, LP
LNG	Liquefied Natural Gas
MD&A	TCPL s Management s Discussion and Analysis dated February 22, 2010
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
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
Ravenswood	Ravenswood Generating Station, a natural gas and oil-fired generating located in Queens, New York
Ravenswood Agreement	The membership interest and stock purchase agreement between KeySpan Corporation and TransCanada Facility USA Inc. dated March 31, 2008
RGGI	Regional Greenhouse Gas Initiative
S&P	Standard and Poor s
SEC	United States Securities and Exchange Commission
Series 1 Preferred Shares	Cumulative, redeemable, first preferred shares, series 1, of TransCanada
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	TransCanada PipeLines Limited
TQM	Trans Québec & Maritimes Pipeline Inc.
TransCanada or the Company	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, 2009
Zephyr	A proposed 500 Kilovolt high voltage direct current transmission project, originating in Wyoming and extending 1,760 km to Nevada

HS&E	Health, Safety and Environment

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*) and of the U.S. Securities and Exchange Commission (*SEC*) applicable to foreign private issuers, 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 National 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 the company s business and affairs is promoting the best interests of TCPL in a manner that will ultimately maximize long-term shareholder value and enhance stakeholder relations. 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 2010 to be independent directors. Thirteen nominees are being put forward for election at the Annual and Special Meeting of holders of common shares of TransCanada to be held on April 30, 2010, 12 (92%) of whom are independent. The Board annually determines the independent status of each of its members and each nominee for election, based on a written set of criteria developed in accordance with the definition of independent in the Canadian Audit Committee Rules and the Canadian Governance Guidelines. The independence criteria also conform to 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 2009, independent directors of the Board met separately before and after every regularly scheduled and special meeting. There were eight regularly scheduled meetings and one special meeting during 2009. 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 2009, all directors demonstrated a strong commitment to their roles and responsibilities. The overall attendance rate was 96% at Board meetings and an average of 93% 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 2009. Unscheduled meetings are held from time to time as required; there was one unscheduled meeting of the Board in 2009. There were also two strategic issue sessions and one full-day strategic planning session of the Board held in 2009.

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 NASDAQ listed master 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. New directors also meet with the Vice President, Strategy who provides an overview of the different areas of operation within TCPL and identifies key areas of interest to the individual director. 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.

Examples of past activities and visits include a power trading floor tour and discussions with the Western power group business leaders, a visit to the Bruce Power site in Kincardine, Ontario, a tour of the Fort McMurray oil sands development, a tour of the pipeline operations control room and a tour of the Ravenswood generating station in Queens, New York.

Senior management as well as external experts make presentations to the Board and to its committees periodically on various business related topics and on changes in legal, regulatory and industry requirements. Directors tour certain TCPL operating facilities and project sites on an annual basis. In 2009, directors participated in a site visit of two of ANR Pipeline Company s Gulf of Mexico facilities. Directors also held a summit in Washington, DC in September of 2009 which included distinguished speakers on a variety of topics of interest to TCPL related to its U.S. investments and Canada/U.S. relations. Ongoing director education also includes strategic issues sessions, of which three were held in 2009. Topics for the strategic issues sessions, and locations for site visits are determined by the Governance Committee annually based on current issues and corporate objectives. 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. For further detail regarding director education in 2009, refer to 2009 Director Education in TransCanada s Proxy Circular. All Canadian directors are members of the Canadian Institute of Corporate Directors, which provides many opportunities for director education. In 2008, Audit Committee members received a special tutorial in International Financial Reporting Standards from outside consultants and members of management.

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 on 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 2009. 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 Watson 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 and, for 2010, the Executive Leadership Team which includes all Named Executive Officers. 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 attached to TCPL s AIF at Schedule F under the heading Compensation Discussion and Analysis .

Further information relating to the Human Resources Committee can be found attached to 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 Watson during the 2009 financial year can be found attached to 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 attached to 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 and/or in-person interview is utilized as part of this process. The questionnaire is circulated to each of the directors and administered by the Corporate Secretary. In person interviews are conducted by the Chair with each member of the Board individually.

The annual assessment 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 annual assessment also includes questions regarding personal and peer individual performance. Each committee also conducts an annual self-assessment.

When utilized, responses from the annual questionnaire are compiled by the Corporate Secretary and provided to the Chair, and responses from the in-person interviews are compiled by the Chair. Results are distributed to directors and discussed at the Board. The annual assessment and individual director s terms of reference are then used in the evaluation of the contribution of individual directors.

Formal interviews with 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

TransCanada 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;

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 the implementation and amendments to policies and program initiatives deemed advisable by management or the Audit Committee with respect to the Company s codes of business ethics and Risk Management and Financial Reporting policies;

(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 the policy and 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. <u>Composition of Audit Committee</u>

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) make suggestions and provide feedback from the Audit Committee to management regarding information that is or should be provided to the Audit Committee;

(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 Board adopted the practice of holding simultaneous meetings of certain committees and, as a result, the Chair is a voting member of the Governance and Human Resources Committees but is not a member of the Audit and Health, Safety and Environment 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, E.L. Draper, 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 D of TransCanada s Proxy Circular) is contained in TCPL s Annual Information Form for the year ending December 31, 2009 in the section Audit Committee . Audit committee information includes the charter, committee composition, relevant education and experience of each member, reliance on exemptions, financial literacy of each member, committee oversight, pre-approval policies and procedures, and external auditor service fees by category. The Annual Information Form is available on SEDAR at www.sedar.com under TCPL s profile and is published on TransCanada s website at www.transcanada.com.

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

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

There were six meetings of the Audit Committee in 2009.

GOVERNANCE COMMITTEE

Chair: *J.A. MacNaughton*

Members: *K.E. Benson, D.H. Burney, P.L. Joskow, D.P. O Brien, D.M.G. Stewart*

This committee is comprised of six 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, set forth in TransCanada s Disclosure of Corporate Governance Practices , in Schedule B of TCPL s Annual Information Form. 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, in consultation with directors, annually reviews the performance of the Chair of the Board and reports the results to the Board. The committee is also responsible for an annual review of director compensation, for the administration of the DSU Plan and establishing, reviewing and assessing the minimum share ownership guidelines for directors.

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 as set forth in more detail in TCPL s Disclosure of Corporate Governance Practices , in Schedule B of TCPL s Annual Information Form. For a summary of the continuing education sessions attended by directors in 2009, refer to the table under the section entitled 2009 Director Education in TransCanada s Proxy Circular. The committee also has responsibility for oversight of the Company s Strategic Planning process.

There were three meetings of the Governance Committee in 2009.

HUMAN RESOURCES COMMITTEE

Chair: *W.T. Stephens*

Members: *W.K. Dobson, P. Gauthier, 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 executive officers of TCPL against pre-established performance objectives. A report on senior management development and succession is prepared annually for presentation to the Board which the committee reviews on an annual basis. The committee reports to the Board with recommendations on the remuneration package for the senior executive officers of TCPL, including the Chief Operating Officer (*COO*) and the CEO. The committee approves all longer-term compensation including stock options and any major changes to TCPL s company-wide 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 guidelines.

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

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

There were five meetings of the Human Resources Committee in 2009 (four regularly scheduled and one special meeting).

HEALTH, SAFETY AND ENVIRONMENT COMMITTEE

Chair: *E.L. Draper*

Members: *W.K. Dobson, P. Gauthier, K.L. Hawkins, W.T. Stephens*

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 2009.

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 responsibility to act honestly and in good faith with a view to the best interests of the Company.

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, be reasonably expected to interfere with the exercise of a member s independent judgment.

C. Directors who are not members of management will meet on a regular 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 executive leadership team;

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

c) acceptance of outside directorships on public companies by senior 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 senior 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.

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;

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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.

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 businesses 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 of the Proxy Circular explains how TransCanada s executive compensation program is designed and operated with respect to the President and CEO (referred to as CEO in this section and under the section entitled Executive Compensation Compensation Tables), Chief Financial Officer (CFO), and the three other most highly compensated executives included in this reported financial year (collectively referred to as the Executive Officers).

This section is divided into the following areas of interest:

1. an introduction outlining TransCanada s business considerations that affect the executive compensation program;
2. summary of business results for 2009;
3. information on TransCanada s executive compensation philosophy and program;
4. an overview of the compensation decision-making process; and
5. a detailed look at the decisions the Human Resources Committee of the Board of Directors (the HR Committee) made with respect to the compensation of the Executive Officers in light of the Company s performance in 2009.

INTRODUCTION

The executive compensation program for TransCanada is managed by the Board of Directors with guidance from the HR Committee. The objective of the executive compensation program is to provide compensation that is competitive, fair, and supportive of the Company s business plans, delivered in such a manner as to be consistent with the best interests of all shareholders. The nature of TransCanada s business impacts the way in which performance is assessed. This performance assessment, in turn, directly impacts how compensation is delivered over time.

TransCanada s businesses are capital intensive, many are subject to regulated returns and growth is typically driven by projects that have long periods of time between conception, approval, construction, startup, and ultimate profitability. Supporting this business portfolio and the strategy for the generation of future shareholder value, as well as maintaining strength in the Company s capital position, requires a balance between short term financial measures, capital management, and longer term profitability. This has been particularly evident during the past few years and will continue to be applicable in the future with the prospects of new large capital projects being considered. The Company is also mindful of the importance of dividends to shareholders and the need for a balance between current returns, a conservative capital structure and long term growth.

The Board recognizes that compensation programs that primarily reward delivery of short term returns could be detrimental to investment in a stream of projects and actions that could promote longer term growth in the value of the Company and growing returns to investors. However, in the other extreme, excessive focus on longer term projects could decrease the Company s ability to generate current earnings, pay dividends, and maintain access to the capital markets. The Board has carefully considered a balanced approach to these issues in the design of the executive compensation program and the impact of compensation systems on business risk.

The Board establishes meaningful performance objectives for management for both the short and long term compensation plans. In establishing these objectives, the Board understands that important elements of executive performance cannot be measured entirely through financial measures. For example, the management of projects under development or under construction is critical to the value of the Company, and the assessment of performance in that regard can be subjective rather than based on numerical measurements. Another important element of performance is how well the management team meets the Company s objectives with

respect to health, safety and the environment. The Board has a rigorous process of both setting these objectives as well as assessing the performance of all executives in consideration of subjective and objective measurement. The final determination of performance is made based on a combination of specific financial measures and the assessment of the other elements of management s responsibility.

Although constantly seeking improvements to the design and administration of TransCanada s executive compensation program, the HR Committee and the Board are confident that the current systems and practices are in the best interest of the shareholders and have operated as they were designed. Shareholders should expect the Board to use the Company s compensation resources wisely to build long term value creation. TransCanada s Board believes that the Company s compensation philosophy and executive compensation program are consistent with this expectation.

SUMMARY FOR 2009

In evaluating 2009 overall corporate performance, the HR Committee and the Board considered a number of qualitative and quantitative factors including financial and share performance, the quality of earnings, execution of on-going projects and transactions, safety, operational performance and progress on key growth initiatives. For 2009, the HR Committee and the Board were of the opinion that the Company performed well and met or exceeded expectations in most areas. This was demonstrated by:

- Cash provided by operations grew 20 per cent to $3.4 billion in 2009 compared to $2.8 billion in 2008;
- Acquired ConocoPhillips remaining interest in Keystone, increasing TransCanada s ownership to 100 per cent;
- Completed construction of the first phase of Keystone to Wood River and Patoka, Illinois;

- Entered into an arrangement with ExxonMobil Corporation for the joint development of the Alaska pipeline and in January 2010, filed its plan with the U.S. Federal Energy Regulatory Commission (FERC) to obtain approval to conduct the first natural gas pipeline open season to develop Alaska s vast natural gas resources;
- Portlands Energy and the first phase of Kibby Wind were placed into service; and
- Issued approximately $6 billion of debt and equity financing during a challenging North American economic environment.

For 2009, the HR Committee and the Board concluded that overall, the Company met its performance objectives but also recognized below-expectation performance of total shareholder return. This assessment did not trigger any specific awards for the Executive Officers but served to provide general context for the review by the HR Committee and the Board of the Executive Officers individual performance. They also recognized that uncertainties in the global economy and volatility in the world capital markets continue to present challenges and, as a result, a moderate approach to executive compensation was appropriate. They used the following guiding principles during their 2010 Total Direct Compensation deliberations:

- base salary increases for the Executive Officers only for significant additional responsibilities;
- annual bonus awards that reflect each of the Executive Officer s contribution to TransCanada s overall corporate performance for 2009; and
- moderate or no increases in longer-term incentive award levels except to recognize significant additional responsibilities.

The HR Committee and the Board considered the results achieved against the pre-established three-year performance objectives for the 2007 performance share unit grant and determined that 85% of the outstanding units would vest for payment. This vesting level represented performance that was below target but above threshold , as determined by the HR Committee and the Board in accordance with the vesting guidelines described in more detail below in the section Elements of Compensation Overview of Compensation Elements under the element Medium-term incentive .

More information regarding the 2007 performance share unit grant is in the section Compensation Decisions Made in 2010 Reflecting 2009 Performance Mid-term Incentive Performance , below.

The following chart shows the relationship between the annual outcomes of selected key financial metrics from 2005 to 2009 and the sum of Total Direct Compensation that was awarded to the Executive Officers after the completion of the noted year:

Details regarding the Total Direct Compensation decisions made by the HR Committee and the Board in 2010 for each Executive Officer s base pay, annual cash bonuses, performance share unit grants and stock option grants, based on overall performance in 2009 are noted in the section Compensation Decisions Made in 2010 Reflecting 2009 Performance - Executive Officer Profiles , below.

COMPENSATION PHILOSOPHY

TransCanada s executive compensation program has the following objectives:

- to provide a compensation package that proportionally rewards individual contributions in the context of overall business results (pay-for-performance);
- 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.

The compensation program is also designed to align with the Company s business plans and risk management framework to provide an appropriate balance between risk and executive rewards.

Market Benchmarking & Comparator Group

The HR Committee considers comparable compensation data from Canadian-based energy companies that are generally of similar size and scope to TransCanada, and that represents the market in which TransCanada may compete for talent (the Comparator Group). The Company also evaluates broader industry trends and practices to determine the appropriate elements of compensation and the effective design of each element.

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 characteristics of the Comparator Group, as compared to TransCanada s characteristics, is provided in the following table:

	TRANSCANADA	COMPARATOR GROUP	
INDUSTRY	North American Pipelines, Power	North American Pipelines, Power, Utilities; Canadian Oil and Gas	
LOCATION	Calgary, Alberta	Principally Alberta	
		MEDIAN	75th PERCENTILE
REVENUE(1)	$8.6 billion	$8.6 billion	$24.2 billion
MARKET CAPITALIZATION(2)	$24.8 billion	$20.0 billion	$34.5 billion
ASSETS(1)	$39.4 billion	$18.2 billion	$31.5 billion
EMPLOYEES(1)	Approximately 4,000	3,189	5,826

(1) Revenue, assets and number of employees reflect 2008 information.
(2) Market Capitalization value noted is calculated as at December 31, 2009 by multiplying the monthly closing price of common shares by the quarterly common shares outstanding for the most recently available quarter.
(3) The members of the Compensation Comparator Group for 2009 were as follows:

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

Each Executive Officer s position is benchmarked against similar positions in the Comparator Group. The position-based compensation data from the Comparator Group (the Comparator Market Data) provides the initial pay reference point for the HR Committee. The annual Total Direct Compensation value an Executive Officer is awarded will vary based on an assessment of individual performance in the context of overall corporate performance, and will generally be set in accordance with the following guidelines (the Pay Positioning Guidelines):

Pay Positioning Guidelines

IF AN EXECUTIVE S PERFORMANCE		TOTAL DIRECT COMPENSATION WILL BE
meets objectives	à	generally comparable to median Total Direct Compensation market data
exceeds objectives	à	generally comparable to above-median Total Direct Compensation market data(1)
falls short of objectives	à	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.

ELEMENTS OF COMPENSATION

Total Direct Compensation is an absolute dollar value that is determined based on a desired positioning to the Comparator Market Data. This value is then allocated to the different forms of compensation:

The allocation of Total Direct Compensation value to the different compensation elements is not based on a set formula. The allocation is at the discretion of the HR Committee and the Board and is intended to reflect such things as market practices regarding the relative weighting afforded the different compensation elements (i.e., pay-mix) as well as their assessment of each of the Executive Officer s past contribution and ability to contribute to future short, medium and long-term business results.

Overview of Compensation Elements

Component	Element	Form	Performance Period	Key Features	Purpose
FIXED	Base salary	Cash	1 year	• Generally targeted around the median market data for similar roles. • Variance from median may be due to sustained individual high 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 Market Data. • Reviewed annually; changes, if any, typically made effective April 1.	• Provide income certainty. • Attract and retain executives.

TRANSCANADA PIPELINES LIMITED **F-8**

Component	**Element**	**Form**	**Performance Period**	**Key Features**	**Purpose**
VARIABLE OR AT-RISK	Short-term incentive	Annual cash bonus	1 year	• Award is based on the HR Committee and Board s assessment of each Executive Officer s yearly individual contribution and performance against personal objectives in the context of overall annual corporate performance. • Specific target compensation values are not pre-set but consideration is given to Comparator Market Data when determining the award amount.	• Motivate executives to achieve key annual business priorities and objectives. • Reward executives for relative annual contribution to the Company. • Align executives interests with those of the shareholders. • Attract and retain executives.
	Medium-term incentive	Performance share units	Up to 3 years with vesting at end of term	• The Executive Share Unit Plan grants notional share units based on the allocated value of Total Longer-term Compensation divided by the fair market value of TransCanada s common shares at the time of grant. • Value of common share dividends accrued through three-year term. • Number of units that vest for payment is subject to the attainment of specific performance objectives, as determined by the HR Committee and the Board. (1) • The final payment is made in cash, less statutory withholdings.	• Motivate executives to achieve medium-term business objectives. • Align executives interests with those of the shareholders. • Attract and retain executives.
	Long-term incentive	Stock options	Vesting 33 1⁄3% at the end of each year for 3 years. Grants have a 7 year term	• Stock options granted based on the allocated value of Total Longer-term Compensation divided by a compensation value per option which reflects the grant date fair value, as determined by the HR Committee. • Exercise price is the closing market price of TransCanada common shares on the TSX on the last trading day immediately preceding the grant date of the stock option. • 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.	• Motivate executives to achieve long-term sustainable business objectives. • Align executives interests with those of the shareholders. • Attract and retain executives.

(1) The number of units vesting relative to corporate performance results is in accordance with the following guidelines:.

PERFORMANCE LEVEL		GENERAL DESCRIPTION		UNITS VESTING(1)
Below threshold	à	Results which are below an acceptable level of performance	à	zero units vest; no payment is made
At threshold	à	Results which are lower than expected, but still acceptable performance	à	50% of units vest for payment

		Between threshold and target, vesting on a pro-rata basis		
At target	à	Results which are considered a stretch, but achievable; fully meet expectations	à	100% of units vest for payment
		Between target and maximum, vesting on a pro-rata basis		
At or above maximum	à	Results which are considered a substantial stretch; significantly exceed expectations	à	150% of units vest for payment

Other Compensation

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

The perquisite program provides a limited number of perquisites to the Executive Officers in 2009 which include:

- an annual perquisite cash allowance to use for any purpose at the discretion of the Executive Officer valued at $4,500;
- a limited number of luncheon and/or recreation club memberships, based on business need;
- a Company-paid reserved parking stall valued at $5,440; and
- an annual car allowance valued at $18,000.

The Committee may, from time to time, convey other benefits to an Executive Officer under specific circumstances or as a retention mechanism. If provided, such non-policy perquisites will be outlined in the footnotes to the Summary Compensation Table in the section, Executive Compensation Tables , below.

Annually, the HR Committee reviews the Executive Officers expenses and use by all executives of the corporate aircraft. TransCanada permits the use of the corporate aircraft by any executive including the CEO only when it is integrally and directly related to performing the executive s job.

Share Ownership Guidelines

The HR Committee has instituted share ownership guidelines for executives (the Guidelines) that 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. Minimum ownership requirement is a multiple of base salary depending on the role of executive. Executives generally have five years to meet this requirement. 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. The level of ownership can be achieved through the purchase of common shares or units, 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 from the Executive Share Unit Plan only count to a maximum of 50% of the ownership level.

The HR Committee annually reviews a calculation of ownership levels under the Guidelines and, in 2009, noted that all Executive Officers had met their minimum ownership requirements. Ownership level calculations pursuant to the Guidelines for the Executive Officers are found in the section, Compensation Decisions Made in 2010 Reflecting 2009 Performance Executive Officer Profiles .

COMPENSATION DECISION-MAKING PROCESS

Overview

The following is a general overview of the process used to determine the Total Direct Compensation awards for Executive Officers:

Roles & Responsibilities

Contributor	**Key Accountabilities**
TransCanada s Human Resources Management	• Acquires, analyzes and interprets all compensation market data used by the CEO in the formulation of Total Direct Compensation recommendations for his direct reports.

	• 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.
Chief Executive Officer	• Engages in discussions with the HR Committee concerning the determination of performance objectives for the Executive Officers and the assessment of whether, and to what extent, criteria for the previous year have been achieved by those individuals. • Makes recommendations to the HR Committee regarding the level and form of compensation awards for his direct and certain indirect reports. • Reviews, evaluates and recommends to the Board all key performance objectives, measures and metrics used for compensation-related purposes. • Provides a self-assessment of his own performance for the HR Committee and the Board.
HR Committee	• Directs management and/or the HR Committee s Consultant and other advisors to gather information on its behalf, and provide initial analysis and commentary. • Determines and recommends for approval to the Board all remuneration to be awarded through the executive compensation program to the Executive Officers.
External Compensation Consultant to the HR Committee	• The Consultant s mandate is to: o provide an assessment of management s proposals relating to the compensation of the Executive Officers; o attend all HR Committee meetings (unless otherwise requested by the HR Committee Chair); and o provide data, analysis or opinion on compensation-related matters if requested by the HR Committee Chair. • At every meeting, meets with the HR Committee without members of management present. • Communicates directly with members of the HR Committee outside of the HR Committee s meetings as requested by the HR Committee members. • Upon direction and approval from the HR Committee Chair, may provide consulting advice to TransCanada management.

Contributor	**Key Accountabilities**
Other Advisors to the HR Committee	• Provide non-compensation-related services, as required and directed by the HR Committee Chair.
Board	• Reviews and approves all remuneration to be awarded through the executive compensation program to the Executive Officers, in consideration of recommendations from the HR Committee.

The Independence of the External Compensation Consultant to the HR Committee

The HR Committee has retained the services of an individual consultant (the Consultant) from Towers Watson (formerly Towers Perrin) as the HR Committee s advisor on human resources matters. The HR Committee chose the individual consultant it believed would provide the highest quality of independent advice. The fact that the Consultant is employed by Towers Watson, a pre-eminent human resources consulting firm that also provides services to TransCanada in several areas, was known to the HR Committee at the time of the Consultant s original engagement. It is the HR Committee s view that the Consultant is capable of providing candid and direct advice independent of management s influence.

Numerous steps have been taken by both Towers Watson and TransCanada to satisfy the objective of ensuring the Consultant s independence.

- Towers Watson has confirmed that no part of the Consultant s pay is directly impacted by growth or decline of Towers Watson s services to TransCanada. Towers Watson has also ensured that the Consultant:

o is not the client relationship manager for services provided to the Company;

o does not participate in any client development activities related to increasing Towers Watson s consulting services to TransCanada; and

o other than consulting for the HR Committee, does not work on any other consulting assignments for TransCanada.

- TransCanada has ensured that the Consultant:

o reports to, and interacts directly with, the HR Committee on all matters related to executive compensation; and

o has limited interactions with management unless specifically related to those matters for which the Consultant is engaged on the Committee s behalf or in relation to proposals that will be presented to the HR Committee for review or approval.

The fees paid to Towers Watson in 2009 for the Consultant s services to the HR Committee were approximately $131,000.

The HR Committee annually reviews the projects performed for TransCanada by other consultants at Towers Watson and the fees charged for the services rendered. For 2009, these services included providing the Company s Human Resources Management with executive, non-executive and Board member compensation market data, as well as benefit and pension actuarial consulting services for both U.S. and Canadian operations. The aggregate fees billed by Towers Watson to the Company for 2009 (exclusive of the Consultant s fees) were approximately $2.5 million.

Stock Option Granting Process

Generally, stock option grants are determined as part of the annual deliberations regarding Total Direct Compensation. The process is as follows:

- The CEO recommends to the HR Committee the stock option grant value for all executives (except his own).
- HR Committee recommends the stock option grant value for Executive Officers (including the CEO) to the Board and approves the stock option grant value for all other executives.

- The Board approves the value of the Executive Officers stock options grants.
- The HR Committee approves all individual stock option grants.

Internal Equity and Retention Value

Executive Officer compensation relative to other executives at TransCanada (internal equity) is informally taken into account by the HR Committee and the Board during the annual Total Direct Compensation deliberations. This is especially true when the benchmark data for a particular role does not reflect the relative scope of TransCanada s role. In such cases, other internal roles that have strong market data may be used to complete an assessment of relativity.

The HR Committee and the Board also consider the retentive potential of its compensation decisions. Retention of the Executive Officers is critical to business continuity, stakeholder relationship management, succession planning and achieving the desired short and longer-term results for the Company.

Previously Awarded Compensation

The HR Committee approves or recommends compensation awards, including stock options, 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 executive and reduce the motivation for continued high achievement. Similarly, the HR Committee does not purposefully increase total longer-term compensation value in a given year to offset less-than-expected returns from previous awards.

The HR Committee receives tally sheets which provide context for the decisions they make in relation to Total Direct Compensation. Although this information does not necessarily drive decision making with regard to specific pay elements, these tally sheets enable the HR Committee to:

- complete an overall assessment of Total Direct Compensation levels in relation to performance;
- evaluate pay mix;
- for equity-based compensation, assess level of wealth creation opportunities afforded and the potential retention risks due to unvested and/or out-of-the money values; and
- determine if changes are required to severance plans or employment agreements to ensure alignment with the Company s business and executive attraction and retention objectives.

The tally sheets used by the HR Committee include the following information:

Analysis	**Description**
Three-year Total Direct Compensation History	• Three-year history of each Executive Officer s and certain other executives previously awarded Total Direct Compensation on an element by element basis. • Enables 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 performance assessments and resulting compensation for each individual.

Analysis	**Description**
Economic Impact Analysis	• Models compensation scenarios for the Executive Officers and certain other executives that illustrate the impact of various future corporate performance outcomes on previously awarded and outstanding compensation. • Allows the HR Committee to determine if modelled compensation results are reasonable and deliver the expected level of differentiation of compensation value based on performance, as understood by the HR Committee. • Following their 2009 review of the resulting analyses, the HR Committee was satisfied that, in aggregate, there had been an appropriate pay for performance relationship for the Executive Officers.
Compensation Look-back Analysis	• A summary showing each Executive Officer s total income (i.e., realized and accrued) since his or her appointment to a position or based on his or her tenure with the Company. • The 2009 analysis included total pay realized/accrued by the Executive Officers since January 1, 2005 or the period they had served as an Executive Officer, if less. • The HR Committee requests this information from the Consultant on a bi-annual basis.
Severance/Change of Control Modeling	• Calculates severance payment amounts for each of the Executive Officers as calculated under separation agreements made with each Executive Officer. • The data annually 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 a non-competition provision.

Performance Assessment

The Board approves annual corporate objectives that reflect the incremental achievements necessary to support the Company s core strategies. The HR Committee and the Board s comprehensive assessment of the results achieved against the annual corporate objectives and related business circumstances provides the context for the evaluation of the individual Executive Officers for Total Direct Compensation.

CORE STRATEGIES

The core strategies guide how TransCanada deploys resources that will allow the Company to achieve its vision of being the leading energy infrastructure company in North America.

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ANNUAL CORPORATE OBJECTIVES

The Board approves annual corporate objectives that support TransCanada s core strategies for growth and value creation. These quantitative and qualitative objectives are referenced by the HR Committee and the Board for compensation decision-making. The HR Committee and the Board s assessment of overall corporate performance provides general context for the review of the individual performance of the Executive Officers.

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INDIVIDUAL OBJECTIVES FOR THE EXECUTIVE OFFICERS

The HR Committee and the Board approve annual individual performance objectives for the Executive Officers that align with the annual corporate objectives and reflect key performance areas for each executive relative to their specific role. The HR Committee s assessment of individual Executive Officer s results achieved is considered in recommending the level of Total Direct Compensation to be approved by the Board.

COMPENSATION DECISIONS MADE IN 2010 REFLECTING 2009 PERFORMANCE

Overall Corporate Performance

TransCanada s corporate performance is measured by how well the Company achieves annual corporate objectives as evidenced by financial and operational results that support the Company s core strategies. The table below highlights TransCanada s key financial objectives and results for 2009 as compared with the previous two years:

Key Financial Measures (millions of dollars)(1)	**2009 Objectives(2)**	**2009 Results**	**2008 Results**	**2007 Results**
Net Income	1,308 to 1,388	1,325	1,279	1,100
Funds Generated From Operations	2,919 to 3,031	3,080	2,811	2,621
Key Per Share Measures ($)				
Comparable Earnings per Share - Basic(3)	2.12 to 2.25	2.03	2.25	2.08
Funds Generated From Operations Per Share - Basic(3)	4.73 to 4.93	4.72	5.30	4.95

(1) All values are expressed in Canadian dollars.

(2) Values denote the range of outcomes that represent satisfactory to exceed expectations performance.

(3) The 2009 objectives for Comparable EPS were established based on the weighted average shares outstanding in 2008 of 616 million. The 2009 results noted in the table reflect the weighted average shares outstanding in 2009 of 652 million. For comparative purposes, the 2009 results noted below have been adjusted relative to the number of shares outstanding in 2008:

- Earnings per Share = $2.15 (or above satisfactory);
- Funds Generated From Operations Per Share = $4.99 (or above exceeds expectations)

The following table highlights the business results achieved in 2009 that support each of the strategies:

Core Strategies	**Results Achieved in 2009**
Maximize the full-life value of TransCanada s infrastructure assets and commercial positions	• Canadian Pipelines achieved excellent financial and business performance, with strong earnings before interest, taxes, depreciation and amortization (EBITDA), operational efficiencies and made significant progress on several complex commercial initiatives. • U.S. Pipelines had strong financial performance from Iroquois, Great Lakes and ANR pipeline systems; performance was as expected from PNGTS, GTN and Northern Border pipeline systems. Significant progress was made on the restructuring and consolidation of U.S. Pipelines in Houston. • Western Power financial results were below expectations, however noteworthy results were achieved on longer term initiatives. • Eastern Power demonstrated excellent physical and commercial performance and achieved financial performance expectations. The year presented the successful start-up of the Portlands Energy Centre, which was completed under budget, and strong financial results from Bécancour, Grandview, and Cartier Wind generating facilities. • Bruce Power exceeded financial performance expectations and also completed a critical commercial restructuring agreement; however it had project management challenges from a timing and cost perspective. • The Ravenswood integration was successfully completed and the first phase of the Kibby Wind development was placed in service ahead of schedule and completed under budget, but the financial performance of U.S. Power was weak due to low power prices. • Gas Storage realized exceptionally strong financial performance.
Cultivate a focused portfolio of high quality development options	• The Pipelines business achieved notable project developments that include Bison, Manzanillo, British Columbia shale gas connections and Canadian system expansions. Potential major advances include the Keystone oil expansion, the Alaska partnership with ExxonMobil Corporation and the restructured Mackenzie project. • The Energy business attained notable development outcomes that included the contract for the Oakville generating station, Zephyr transmission project, and numerous early-stage thermal and renewable power and gas storage projects.
Commercially develop and physically execute new asset investment program	• TransCanada successfully executed the largest annual capital program in its corporate history, coming in under budget on a diverse suite of Energy and Pipeline projects. • The Company also completed the acquisition of all partner interests in the Keystone oil pipeline project. • Project management on both Energy and Pipeline projects was noteworthy, with strong teams, excellent project management systems, and strong support from all corporate departments.
Maximize TransCanada s competitive strengths	• TransCanada continued to build its competitive position through steady improvement in market knowledge, relationships and reputation. Notably, the consolidation of U.S. Pipelines commercial functions in Houston will offer a stronger and more effective presence in the U.S. Pipeline business. • The Company continued to advance its industry leading position as a superior asset operator with break-through performance in safety and operations

	• Significant progress was achieved on people and organizational objectives, through employee and leadership development, better performance management, and a streamlined organization. • The Company successfully financed the largest capital program in its history, while maintaining balance sheet ratios.
Maximize TransCanada s reputation and standing in financial markets	• TransCanada worked closely with credit rating agencies, banks, and institutional investors to maintain an A grade debt rating while raising significant new capital to finance its capital program. • The Company worked diligently to maintain and enhance the confidence of equity analysts, investors, and the financial press. • TransCanada debt is consistently rated low risk; TransCanada equity is consistently rated a buy for long term growth and value creation.

Further information regarding TransCanada s corporate financial and business performance can be found in the 2009 Management Discussion and Analysis in TransCanada s 2009 Annual Report.

The HR Committee and the Board noted that during 2009 the Company made significant progress in successfully executing its $22 billion capital program. The program has been well managed and the projects are largely being completed on time and at or below budget. During 2008 and 2009, $2.4 billion of common and preferred equity was raised to finance this significant portfolio of quality infrastructure projects. These equity issuances were viewed as prudent and necessary to allow the Company to maintain its financial capacity and credit ratings which are critical to its ability to continue to grow. It was also noted that the projects currently under development will deliver incremental value to shareholders in coming years. It was recognized that the equity issuance in 2009 had a dilutive impact on the Company s annual earnings per share results. While total earnings were up year over year, on a per share basis the results decreased. This had a related negative impact on the Company s stock price performance and resulted in a below-expectation performance of Total Shareholder Return for the year.

Looking forward, the HR Committee and the Board agreed that 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. They also reviewed the operational results of the Company, including its customer ratings, health, safety and environment and other measures.

For 2009, the HR Committee and the Board concluded that overall, the Company met its performance objectives. After considering these performance results, they determined that overall corporate performance in 2009 was at target and that this rating would serve to provide context for the 2010 review of compensation for the Executive Officers. The Total Direct Compensation awarded to the Executives Officers reflects the results achieved in their respective key performance areas.

In addition, the Board approved 2010 annual corporate objectives that continue to focus on achieving the financial and operational results that support TransCanada s core strategies for growth and value creation.

Medium-term Incentives

2007 Performance Share Unit Grant Payout

As noted in the table above, Overview of Compensation Elements for the Medium-term incentive element, the Executive Share Unit Plan provides for vesting from zero to 150% of units granted based on the HR Committee and Board s assessment of performance over the course of the three-year term. They considered the following three-year performance results as the basis for their decision:

MEASURE	PERIOD	THRESHOLD	TARGET	MAXIMUM	RESULTS
Percent growth of Absolute Total Shareholder Return (TSR)	Jan/07 to Dec/09 (1)	11%	27%	40%	**0.31%**
Relative TSR against the Peer Group(2)	Jan/07 to Dec/09 (1)	P25 (25th percentile)	P50 (50th percentile)	P75 (75th percentile)	**Between P25 and P50**
Earnings per Share (EPS) *(comparable, equity method)*	Cumulative Annual Results 2007 2009(3)(4)	$5.13	$5.71	$6.02	**$6.37**
Funds Generated from Operations per Share (FGFOPS) *(equity method)*	Cumulative Annual Results 2007 2009(3)(4)	$12.24	$12.87	$13.18	**$13.40**

(1) Results for TSR measures reported as of December 31, 2009 where the closing share price was $36.19

(2) The members of the Peer Group for this performance share unit grant included the following companies:

Canadian Utilities Inc.	Enbridge Inc.	Southern Union Company
Dominion Resources DTE (Detroit Edison)	Entergy Corporation	Spectra Energy Corp.
	Exelon Corporation Fortis Inc.	TransAlta Corporation
Duke Energy Corporation	Sempra Corporation Southern Company	Williams Companies, Inc. (The)
El Paso Emera Inc.		Xcel Energy Inc.

(3) Targets for financial measures are set based on the sum total of annual objectives over the noted period.

(4) Results for financial measures are based on the final audited results as of December 31, 2009.

The HR Committee and the Board reviewed, in detail, the performance results for the 2007 grant of performance share units. They determined that 85% of the outstanding units would vest for payment. This vesting level represented performance that was below target , but above threshold level in accordance with the vesting guidelines described in more detail in footnote 1 to the table Overview of Compensation Elements for the Medium-term incentive element, above. Although specific weightings for the performance measures were not approved for the 2007 grant, the following performance results were considered against the pre-established three-year corporate performance objectives for the 2007 grant by the HR Committee and the Board in making the final payout determination:

- TransCanada s absolute TSR did not reach the threshold level and therefore was equivalent to a vesting level of 0%.
- The relative TSR measure was between the target level (a 100% vesting level) and the threshold level (a 50% vesting level).
- The two financial measures for which management had the most control, EPS and FGFOPS, posted results that were over the maximum performance level (or 150% vesting level).

Applying equal weight to the performance results would have led to a 95% vesting level or very close to target . However, the HR Committee and the Board placed more emphasis on the absolute and relative TSR and determined that an 85% vesting level was more appropriately aligned with shareholder interests.

More information regarding the value paid to the Executive Officers from the vesting of the 2007 performance share unit grant can be found in the section Incentive Plan Awards Value Vested During the Year , below.

2010 Performance Share Unit Grant

For this grant, the HR Committee approved the following performance measures for the three-year term and weightings for each category:

Executive Officer Profiles

The following profiles for each of the Executive Officers provide the following information:

- a summary of key performance accomplishments for 2009;
- the Total Direct Compensation awarded by the Board to each Executive Officer in 2010 for performance in 2009(1);
- previous two-year awarded compensation history;
- the resulting pay-mix from 2010 compensation award; and
- share ownership status at year end.

(1) *This information is supplemental to, and not intended as a replacement for the data which is required to be disclosed in the Summary Compensation Table.*

For profiles in this section, all compensation values listed resulted from the HR Committee and Board s annual Total Direct Compensation deliberation process. Any compensation awarded to an Executive Officer during the noted financial year but outside of that process is captured in footnotes to the Awarded Compensation table in their profile.

Harold (Hal) N. Kvisle

President & Chief Executive Officer

Key Performance Accomplishments in 2009

- Target achievement of overall corporate objectives.
- Significant progress in business development, with tangible progress on long-term, large-scale growth initiatives.
- Successful financing of the largest capital program in company history while maintaining balance sheet ratios.
- Significant progress in the areas of leadership development and succession planning; high levels of employee engagement across the organization; substantial organizational efficiencies gained through consolidation of U.S. commercial operations.
- Continued strengthening of relationships in the regulatory, political and business arenas, leading to positive project and commercial outcomes in Pipelines and Energy.

AWARDED COMPENSATION	**2010 ($)**	**2009 ($)**	**2008 ($)**
FIXED			
Annual Base Salary(1)	1,250,000	1,250,000	1,250,000
VARIABLE			
Cash Bonus(2)	1,650,000	1,850,000	1,550,000
Performance Share Units(3)	3,000,000	3,040,000	3,000,000
Stock Options(4)	1,000,000	960,000	1,000,000
TOTAL DIRECT COMPENSATION	**6,900,000**	**7,100,000**	**6,800,000**
Change from previous year	-3%	+ 4%	-

2010 PAY MIX(5)

OWNERSHIP(6)

Minimum Ownership Level	Minimum Ownership Value ($)	Total Ownership Value under the Guidelines ($)	Total Ownership as a Multiple of Base Salary
3 x	3,750,000	4,896,371	3.9x

(1) The annual base salary rate as at April 1st of the noted year.

(2) The total cash bonus awarded for performance attributable to the noted financial year, and paid in the first quarter following the completion of the financial year.

(3) The value of performance share units awarded during the annual granting process for the noted year.

(4) The compensation value of stock options granted during the annual granting process for the noted year.

(5) Pay mix is the resulting relative value of each compensation element following the allocation of Total Direct Compensation value and is expressed as a percentage of Total Direct Compensation.

(6) Value of ownership determined as at December 31, 2009, using the 20 day volume-weighted average closing price of TransCanada s common shares of $35.36 and the 20 day volume-weighted average closing price of TC PipeLines, LP units of $36.26. For further information regarding the Share Ownership Guidelines, refer to the section Elements of Compensation - Share Ownership Guidelines , above.

Gregory (Greg) A. Lohnes

Executive Vice-President and Chief Financial Officer

Key Performance Accomplishments in 2009

- Successful financing of the largest capital program in company history while maintaining balance sheet ratios.
- Counterparty defaults negligible in difficult economic conditions.
- Strengthened relationships with Canadian, U.S. and European major shareholders and debt holders.
- Significant improvements in the clarity of quarterly financial reporting, with sound plans to transition to International Financial Reporting Standards (IFRS) in 2011.

AWARDED COMPENSATION	**2010 ($)**	**2009 ($)**	**2008 ($)**
FIXED			
Annual Base Salary(1)	430,000	430,000	430,000
VARIABLE			
Cash Bonus(2)	600,000	550,000	490,000
Performance Share Units(3)	615,000	584,000	547,500
Stock Options(4)	205,000	216,000	182,500
TOTAL DIRECT COMPENSATION	**1,850,000**	**1,780,000**	**1,650,000**
Change from previous year	+4%	+8%	-

2010 PAY MIX(5)

OWNERSHIP(6)

Minimum Ownership Level	**Minimum Ownership Value ($)**	**Total Ownership Value under the Guidelines ($)**	**Total Ownership as a Multiple of Base Salary**
2 x	860,000	1,086,211	2.5 x

(1) The annual base salary rate as at April 1st of the noted year.
(2) The total cash bonus awarded for performance attributable to the noted financial year, and paid in the first quarter following the completion of the financial year.
(3) The value of performance share units awarded during the annual granting process for the noted year.
(4) The compensation value of stock options granted during the annual granting process for the noted year.
(5) Pay mix is the resulting relative value of each compensation element following the allocation of Total Direct Compensation value and is expressed as a percentage of Total Direct Compensation.

(6) Value of ownership determined as at December 31, 2009, using the 20 day volume-weighted average closing price of TransCanada s common shares of $35.36 and the 20 day volume-weighted average closing price of TC PipeLines, LP units of $36.26. For further information regarding the Share Ownership Guidelines, refer to the section Elements of Compensation - Share Ownership Guidelines , above.

Russell (Russ) K. Girling

Chief Operating Officer

Key Performance Accomplishments in 2009

- Strong financial performance in Pipelines in the face of weak economic conditions, with positive outcomes in the regulatory arena.
- Successful transition to the role of Chief Operating Officer, demonstrating strong leadership across expanded responsibilities.
- Significant progress in business development, capturing significant near-term investment opportunities and progressing long-term, large-scale growth initiatives.
- Substantial organizational efficiencies gained through consolidation of U.S. Pipeline commercial operations.
- Successful completion of the construction of the first phase of the Keystone oil pipeline project.

AWARDED COMPENSATION	**2010 ($)**	**2009* ($)**	**2008 ($)**
FIXED			
Annual Base Salary(1)	800,000	700,000	700,000
VARIABLE			
Cash Bonus(2)	900,000	950,000	900,000
Performance Share Units(3)	2,100,000	1,520,000	1,500,000
Stock Options(4)	700,000	480,000	500,000
TOTAL DIRECT COMPENSATION	**4,500,000**	**3,650,000**	**3,600,000**
Change from previous year	+23%	+1%	-

* In recognition of his promotion to Chief Operating Officer, in September 2009, the HR Committee increased Mr. Girling s annual base salary rate to $800,000 and awarded him a special stock option grant valued at $479,000. As a result of these mid-year changes, Mr. Girling s Total Direct Compensation value was increased to $4,229,000.

2010 PAY MIX(5)

OWNERSHIP(6)

Minimum Ownership Level	**Minimum Ownership Value ($)**	**Total Ownership Value under the Guidelines ($)**	**Total Ownership as a Multiple of Base Salary**
2 x	1,600,000	2,217,537	2.8 x

(1) The annual base salary rate as at April 1st of the noted year.
(2) The total cash bonus awarded for performance attributable to the noted financial year, and paid in the first quarter following the completion of the financial year.
(3) The value of performance share units awarded during the annual granting process for the noted year.
(4) The compensation value of stock options granted during the annual granting process for the noted year.
(5) Pay mix is the resulting relative value of each compensation element following the allocation of Total Direct Compensation value and is expressed as a percentage of Total Direct Compensation.
(6) Value of ownership determined as at December 31, 2009, using the 20 day volume-weighted average closing price of TransCanada s common shares of $35.36 and the 20 day volume-weighted average closing price of TC PipeLines, LP units of $36.26. For further information regarding the Share Ownership Guidelines, refer to the section Elements of Compensation - Share Ownership Guidelines , above.

Alexander (Alex) J. Pourbaix

President, Energy and Executive Vice-President Corporate Development

Key Performance Accomplishments in 2009

- Strong financial performance in Eastern Power, Bruce Power and the natural gas storage business.
- Noteworthy results achieved on longer term initiatives in Western Power and U.S. Power.
- Continuing success in new business development.
- Effective commercial integration of new assets and businesses.
- Strong focus on sustaining TransCanada s Energy businesses over the longer term.

AWARDED COMPENSATION	**2010 ($)**	**2009 ($)**	**2008 ($)**
FIXED			
Annual Base Salary(1)	700,000	700,000	700,000
VARIABLE			
Cash Bonus(2)	740,000	900,000	900,000
Performance Share Units(3)	1,500,000	1,520,000	1,500,000
Stock Options(4)	500,000	480,000	500,000
Total Direct Compensation	**3,440,000**	**3,600,000**	**3,600,000**
Change from previous year	-4%	0%	-

2010 PAY MIX(5)

OWNERSHIP(6)

Minimum Ownership Level	**Minimum Ownership Value ($)**	**Total Ownership Value under the Guidelines ($)**	**Total Ownership as a Multiple of Base Salary**
2 x	1,400,000	1,635,095	2.3 x

(1) The annual base salary rate as at April 1st of the noted year.

(2) The total cash bonus awarded for performance attributable to the noted financial year, and paid in the first quarter following the completion of the financial year.

(3) The value of performance share units awarded during the annual granting process for the noted year.

(4) The compensation value of stock options granted during the annual granting process for the noted year.

(5) Pay mix is the resulting relative value of each compensation element following the allocation of Total Direct Compensation value and is expressed as a percentage of Total Direct Compensation.

(6) Value of ownership determined as at December 31, 2009 using the 20 day volume-weighted average closing price of TransCanada s common shares of $35.36 and the 20 day volume-weighted average closing price of

TC PipeLines, LP units of $36.26. For further information regarding the Share Ownership Guidelines, refer to the section Elements of Compensation - Share Ownership Guidelines , above.

Don Wishart

Executive Vice-President, Operations and Major Projects

Key Performance Accomplishments in 2009

- Exceptional leadership of operating and project management teams.
- Successful execution of major capital projects, including the successful completion of the construction of the first phase of the Keystone oil pipeline project.
- Top quartile safety, efficiency and reliability performance.
- Significant cost reductions throughout operations and in support functions.
- Effective operational integration of new assets and businesses.

AWARDED COMPENSATION	**2010 ($)**	**2009 ($)**	**2008 ($)**
FIXED			
Annual Base Salary(1)	600,000	550,000	550,000
VARIABLE			
Cash Bonus(2)	650,000	600,000	550,000
Performance Share Units(3)	1,087,500	1,014,000	900,000
Stock Options(4)	362,500	336,000	300,000
Total Direct Compensation	**2,700,000**	**2,500,000**	**2,300,000**
Change from previous year	+8%	+9%	-

2010 PAY MIX(5)

OWNERSHIP(6)

Minimum Ownership Level	**Minimum Ownership Value ($)**	**Total Ownership Value under the Guidelines ($)**	**Total Ownership as a Multiple of Base Salary**
2 x	1,100,000	2,998,645	5.5 x

(1) The annual base salary rate as at April 1st of the noted year.

(2) The total cash bonus awarded for performance attributable to the noted financial year, and paid in the first quarter following the completion of the financial year.

(3) The value of performance share units awarded during the annual granting process for the noted year.

(4) The compensation value of stock options granted during the annual granting process for the noted year.

(5) Pay mix is the resulting relative value of each compensation element following the allocation of Total Direct Compensation value and is expressed as a percentage of Total Direct Compensation.

(6)

Value of ownership determined as at December 31, 2009, using the 20 day volume-weighted average closing price of TransCanada s common shares of $35.36 and the 20 day volume-weighted average closing price of TC PipeLines, LP units of $36.26. For further information regarding the Share Ownership Guidelines, refer to the section Elements of Compensation - Share Ownership Guidelines , above.

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, 2004 in TransCanada s common shares). The TSR analysis is superimposed on the aggregate Total Direct Compensation value awarded to the Executive Officers pursuant to the noted year.

As discussed throughout this section, the HR Committee and the Board consider 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 necessarily anticipated. However, in the longer-term, the Executive Officers realized compensation is directly impacted by TransCanada s share price. A significant portion of their Total Direct Compensation is equity-based, which aligns award payouts with shareholder returns.

	Dec. 31, 2004	Dec. 31, 2005	Dec. 31, 2006	Dec. 31, 2007	Dec. 31, 2008	Dec. 31, 2009	Compound Annual Growth
	($)	($)	($)	($)	($)	($)	(%)
TransCanada	100	127.4	146.2	150.7	127.7	146.0	7.9
TSX	100	124.1	145.6	159.9	107.1	144.6	7.7

EXECUTIVE COMPENSATION TABLES

All compensation values disclosed in this section, unless otherwise noted, are expressed in Canadian dollars and are generally delivered from compensation plans and programs that are described in detail under the section above Compensation Discussion and Analysis or from retirement arrangements reported under the section below 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 2009, 2008, and 2007 financial years:

					Non-equity Incentive Plan Compensation				
Name and Principal Position (a)	**Year (b)**	**Salary(1) ($) (c)**	**Share-based Awards(2) ($) (d)**	**Option-based Awards(3) ($) (e)**	**Annual Incentive Plans(4) ($) (f1)**	**Long-term Incentive Plans(5) ($) (f2)**	**Pension Value(6) ($) (g)**	**All Other Compensation (7) ($) (h)**	**Total Compensation ($) (i)**
H.N. Kvisle	2009	1,250,004	3,040,000	960,000	1,650,000	628,875	157,000	12,500	7,698,379
President & Chief Executive	2008	1,237,503	3,000,000	1,000,000	1,850,000	702,000	753,000	12,354	8,554,857
Officer	2007	1,175,001	2,378,696	771,304	1,550,000	663,000	1,324,000	11,708	7,873,709
G.A. Lohnes	2009	430,008	584,000	216,000	600,000	70,950	7,000	4,300	1,912,258
Executive Vice-President &	2008	415,008	547,500	182,500	550,000	79,200	349,000	110,682	2,233,890
Chief Financial Officer	2007	362,508	422,878	137,122	490,000	104,742	181,000	158,061	1,856,311
R.K. Girling	2009	750,006	1,520,000	959,000	900,000	322,500	653,000	74,943	5,179,449
Chief Operating Officer	2008	682,506	1,500,000	500,000	950,000	396,000	352,000	6,796	4,387,302
	2007	602,502	1,261,088	408,912	900,000	408,220	594,000	5,979	4,180,702
A.J. Pourbaix	2009	700,008	1,520,000	480,000	740,000	206,400	11,000	58,458	3,715,866
President, Energy &	2008	682,506	1,500,000	500,000	900,000	255,600	343,000	66,796	4,247,902
Executive Vice-President Corporate Development	2007	602,502	1,261,088	408,912	900,000	241,400	575,000	61,479	4,050,381
D.M. Wishart	2009	550,008	1,014,000	336,000	650,000	161,250	43,000	26,500	2,780,758
Executive Vice-President,	2008	537,507	900,000	300,000	600,000	180,000	277,000	26,354	2,820,861
Operations & Major Projects	2007	475,005	755,143	244,857	550,000	204,220	467,000	46,708	2,742,934

(1) This column reflects actual base salary earnings during the noted financial year.

(2) This column shows the Total Direct Compensation value that was awarded as 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 $32.98 for 2009, $39.87 for 2008, and $40.45 for 2007. The valuation price is based on the volume-weighted average closing price of TransCanada s common shares during the five trading days immediately prior to and including the grant date.

(3) This column shows the total compensation value of stock options awarded to the Executive Officers during each of the financial years noted. For 2007, the exercise price of a stock option granted to Canadian executives represented the volume-weighted closing price for the five trading days immediately preceding the grant. In 2008, the exercise price methodology was changed to represent the closing market price of TransCanada common shares on the TSX for the trading day immediately prior to the award date of the option. The exercise price of stock options granted to executives during the annual stock option granting process was $31.97 in 2009, $39.75 in 2008 and $38.10 in 2007.

In conjunction with his promotion to Chief Operating Officer, on September 14, 2009, the HR Committee awarded Mr. Girling a special grant of 100,000 stock options valued at $479,000 with an exercise price of $31.93. This grant was in addition to the grant of 100,000 stock options valued at $480,000 that Mr. Girling received earlier in the year during the annual stock option granting process.

(4) 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 in the year that follows the financial year.

(5) This column contains the value awarded from a grandfathered dividend-value plan under which grants are no longer made. The HR Committee and the Board determined an annual unit value of $1.29 per unit for 2009, $1.44 per unit for 2008, and $1.36 per unit for 2007 be awarded for all outstanding units held under the plan. Further information regarding this plan is noted in section Non-equity Long-term Incentive Plan , below.

(6) This column includes the annual compensatory value from the defined benefit pension plan. The annual compensatory value is the compensatory change in the accrued obligation and includes the service cost to TransCanada in 2009, plus compensation changes that were higher or lower than the salary assumption, and plan changes. Further explanation regarding the plan can be found in the section, Pension and Retirement Benefits for Executives - Defined Benefit Pension Plan below.

(7) 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. Other than this exception, the perquisites values for each Executive Officer for all other financial years listed are 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 2009 was $30,061 or 4.7% of total salary. All perquisites provided to the Executive Officers have a direct cost to the Company and are valued on this basis.

- 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. 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 above include tax reimbursements of $41,557 for 2007 and $41,557 for 2008. Mr. Lohnes also received a tax reimbursement of $44,754 in 2006.

- 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. Pourbaix - $57,000 for 2009, $60,000 for 2008, and $55,500 for 2007; and Mr. Wishart - $21,000 for both 2009 and 2008, and $42,000 for 2007.

- 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:

o Mr. Kvisle - $12,500 for 2009, $12,354 for 2008, and $11,708 for 2007;

o Mr. Lohnes - $4,300 for 2009, $4,125 for 2008, and $3,613 for 2007;

o Mr. Girling - $7,250 for 2009, $6,796 for 2008, and $5,979 for 2007;

o Mr. Pourbaix - $1,458 for 2009, $6,796 for 2008, and $5,979 for 2007; and

- o Mr. Wishart - $5,500 for 2009, $5,354 for 2008, and $4,708 for 2007.

- 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. One month prior to each annual stock option grant, Towers Watson provides a binomial value for the upcoming grant based on their Expected Life Lattice Methodology which considers, among other things, the underlying share volatility, yield, as well as the vesting period and term of the option grant. The HR Committee used the higher of this binomial value or a floor-value of 15% of the exercise price to determine the value of each stock option for compensation purposes.

The following is a summary of the binomial value, floor value and the final compensation value underlying the amounts noted for the stock option grants in 2009, 2008 and 2007:

Grant Date	Exercise Price	Binomial Value from Towers Watson	Floor Value(1)	Compensation Value per Stock Option(2)
23-Feb-09	$31.97	$3.29	$4.80	**$4.80**
14-Sep-09(3)	$31.93	n/a	$4.79	**$4.79**
25-Feb-08	$39.75	$3.99	$5.96	**$5.96**
22-Feb-07	$38.10	$3.41	$3.81	**$3.81**

(1) With the assistance of the Consultant, the HR Committee sets floor value after considering a range of valuation approaches and assumptions, and ultimately using their discretion to arrive at a grant date fair value they deem to be fair and reasonable for compensation purposes. The floor value was set at 10% of the exercise price for 2007 and at 15% of the exercise price for 2008 and 2009.

(2) The Compensation Value for each stock option awarded under the grant is the higher of the Binomial Value from Towers Watson and the noted Floor Value.

(3) The HR Committee did not request a valuation from Towers Watson and applied the 15% floor value for this special grant to Mr. Girling.

For accounting purposes, the grant date fair values determined for the annual stock option awards using the Black-Scholes model were $5.48 per stock option for 2009, $3.97 per stock option for 2008, and $4.22 per stock option for 2007. The accounting value for the special stock option grant awarded to Mr. Girling on September 14, 2009 was $5.65.

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 grants under 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 Board, in its discretion. The maximum annual unit value is equal to the dividends declared on one TransCanada common share in a given year. For 2009, the Board determined that $1.29 per unit (or 85% of the total declared dividend value in 2009) was to be awarded for all outstanding units held under the dividend value plan. The annual unit value awarded for 2009 and disclosed in column (f2) in the Summary Compensation Table, above, will be paid to each Executive Officer as a separate payment in March 2010.

TRANSCANADA PIPELINES LIMITED **F-28**

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.					177,115	3,204,893
Kvisle	165,000	26.85	23-Feb-2011	1,541,100		
	42,500	18.01	27-Feb-2011	772,650		
	150,000	21.43	25-Feb-2012	2,214,000		
	160,000	30.09	28-Feb-2012	976,000		
	250,000	35.23	27-Feb-2013	240,000		
	202,442	38.10	22-Feb-2014	0		
	167,715	39.75	25-Feb-2015	0		
	200,000	31.97	23-Feb-2016	844,000		
G.A.					33,243	601,527
Lohnes	10,500	30.09	28-Feb-2012	64,050		
	14,000	35.23	27-Feb-2013	13,440		
	50,000	33.08	12-Jun-2013	155,500		
	35,990	38.10	22-Feb-2014	0		
	30,608	39.75	25-Feb-2015	0		
	45,000	31.97	23-Feb-2016	189,900		
R.K.					88,557	1,602,446
Girling	60,000	26.85	23-Feb-2011	560,400		
	65,000	21.43	25-Feb-2012	959,400		
	60,000	30.09	28-Feb-2012	366,000		
	90,000	35.23	27-Feb-2013	86,400		
	100,000	33.08	12-Jun-2013	311,000		
	107,326	38.10	22-Feb-2014	0		
	83,857	39.75	25-Feb-2015	0		
	100,000	31.97	23-Feb-2016	422,000		
	100,000	31.93	14-Sep-2016	426,000		
A.J.					88,557	1,602,446
Pourbaix	60,000	26.85	23-Feb-2011	560,400		

60,000	30.09	28-Feb-2012	366,000
90,000	35.23	27-Feb-2013	86,400
100,000	33.08	12-Jun-2013	311,000
107,326	38.10	22-Feb-2014	0
83,857	39.75	25-Feb-2015	0

	100,000	31.97	23-Feb-2016	422,000		
D.M. Wishart					56,346	1,019,575
	40,000	26.85	23-Feb-2011	373,600		
	35,000	18.01	27-Feb-2011	636,300		
	30,000	21.43	25-Feb-2012	442,800		
	40,000	30.09	28-Feb-2012	244,000		
	55,000	35.23	27-Feb-2013	52,800		
	64,267	38.10	22-Feb-2014	0		
	50,314	39.75	25-Feb-2015	0		
	70,000	31.97	23-Feb-2016	295,400		

(1) Calculated on outstanding vested and unvested stock options and based on the difference between the noted exercise price for the grant and the 2009 year-end closing price on the TSX for common shares of $36.19. For grants where the exercise price is higher than the year-end closing price, a zero value is noted.

(2) The number of units represents those from both the original grant and those added during the term as a result of dividend value reinvestment, from all outstanding grants of performance share units as at December 31, 2009.

(3) The plan under which performance share units are granted uses three-year performance objectives which can only be measured at the conclusion of the term. 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 2009 year-end closing price on the TSX for common shares of $36.19.

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	**Option-based Awards Value Vested During the Year(1)**	**Share-based Awards Value Vested During the Year(2)**	**Non-equity Incentive Plan Compensation Value Earned During the Year(3)**
	($)	**($)**	**($)**
(a)	**(b)**	**(c)**	**(d)**
H.N. Kvisle	0	2,026,224	2,278,875
G.A. Lohnes	19,166	360,216	670,950
R.K. Girling	38,334	1,074,222	1,222,500
A.J. Pourbaix	38,334	1,074,222	946,400
D.M. Wishart	0	643,247	811,250

(1) Column (b) represents the aggregate dollar value that would have been realized by the Executive Officers if options had been exercised on the vesting date. Where the share price on the vesting date is lower than the exercise price of the grant a zero value is noted. Further details on this value are noted below in the section, Option-based Awards - Value Vested During the Year .

(2) The value noted in column (c) is the value paid to the Executive Officers upon the vesting of the 2007 grant of performance share units. Further details on this value are noted below in the section, Share-based Awards - Value Vested During the Year .

(3) The value noted is column (d) 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.	25-Feb-08	167,715	39.75	55,905	30.50	0
Kvisle	22-Feb-07	202,442	38.10	67,481	31.97	0
	27-Feb-06	250,000	35.23	83,334	30.90	0
G.A.	25-Feb-08	30,608	39.75	10,203	30.50	0
Lohnes	22-Feb-07	35,990	38.10	11,997	31.97	0
	12-Jun-06	50,000	33.08	16,666	34.23	19,166
	27-Feb-06	14,000	35.23	4,666	30.90	0
R.K.	25-Feb-08	83,857	39.75	27,952	30.50	0
Girling	22-Feb-07	107,326	38.10	35,775	31.97	0
	12-Jun-06	100,000	33.08	33,334	34.23	38,334
	27-Feb-06	90,000	35.23	30,000	30.90	0
A.J.	25-Feb-08	83,857	39.75	27,952	30.50	0
Pourbaix	22-Feb-07	107,326	38.10	35,775	31.97	0
	12-Jun-06	100,000	33.08	33,334	34.23	38,334
	27-Feb-06	90,000	35.23	30,000	30.90	0
D.M.	25-Feb-08	50,314	39.75	16,771	30.50	0
Wishart	22-Feb-07	64,267	38.10	21,422	31.97	0
	27-Feb-06	55,000	35.23	18,334	30.90	0

(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 2007 grant of performance share units. The noted value in this table is calculated as follows:

(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 provides detail on the calculation of 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 2007 Performance Share Unit Grant

Name	**Vesting Date**	**Total Units at Vesting (1) (#)**	**Value of Total Units at Vesting (2) ($)**	**Value of Final Dividend (3) ($)**	**Final Performance Multiplier (4)**	**Total Payment Value (5) ($)**
(i)	**(ii)**	**(iii)**	**(iv)**	**(v)**	**(vi)**	**(vii)**
H.N. Kvisle	31-Dec-09	65,941.706	2,358,735	25,058		2,026,224
G.A Lohnes	31-Dec-09	11,722.934	419,329	4,455		360,216
R.K. Girling	31-Dec-09	34,959.614	1,250,505	13,285	85%	1,074,222
A.J. Pourbaix	31-Dec-09	34,959.614	1,250,505	13,285		1,074,222
D.M. Wishart	31-Dec-09	20,933.914	748,806	7,955		643,247

(1) The total units at vesting include those units from the original grant and those from dividend reinvestment activity up to Q3 of 2009.

(2) Units noted in column (iii) were valued at $35.77 per unit based on the five day volume-weighted closing price of common shares on the TSX at December 31, 2009.

(3) The value noted is the declared dividend for Q4 2009 of $0.38 multiplied by the number of units noted in column (iii).

(4) Based on the HR Committee and the Board s assessment of the performance achieved against objectives, 85% of all units became vested for payment as of the Vesting Date noted.

(5) The value in this column represents the sum of the values from columns (iv) and (v) multiplied by the percentage in column (vi). This value was paid to the Executive Officers and all other plan participants in March 2010.

EQUITY COMPENSATION PLAN INFORMATION

Stock Option Plan

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 executive-level employees of TransCanada as approved by the HR Committee and described under the section, Compensation Decision-Making Process Stock Option Granting Process above.

On recommendation of the HR Committee, the Board has approved various amendments to the Stock Option Plan, some of which are subject to shareholder approval at the Meeting as described under the heading Business to be Transacted at the Meeting Reconfirmation of and Amendments to the Stock Option Plan . Key information regarding the Stock Option Plan is set forth below:

- The Stock Option Plan was first approved by shareholders in 1995;
- Shareholders are being asked at the Meeting to approve an increase in the number of shares issuable under the Stock Option Plan by 3,500,000;
- If the Stock Option Plan Resolution is approved, a maximum of 34,000,000 of TransCanada s common shares will have been reserved for issuance under the Plan since its inception in 1995; this represents 4.95% of common shares issued and outstanding as at February 26, 2010. As at February 26, 2010, there were approximately:

o 9,246,135 common shares issuable upon the exercise of outstanding stock options; this represents 1.3% of issued and outstanding common shares;

o 2,033,618 common shares remaining available for issuance; this represents 0.3% of issued and outstanding common shares;

o 19,190,997 common shares have been issued upon the exercise of stock options, representing 2.8% of issued and outstanding common shares of the Company;

- The exercise price of a stock option is the closing market price of a common share of TransCanada on the TSX on the last trading day immediately preceding the grant date of the stock option;

- Stock options granted after January 1, 2003 vest one-third on each of the following three anniversaries of the grant date and have a seven year term;

- If the expiry date of a stock option (i) does not fall during an open trading window or (ii) falls during the first five days of an open trading window, the expiry date of such stock option is extended for a total period of ten business days during the subsequent open trading window;

- Stock options cannot be transferred or assigned by participants, however, a personal representative is permitted to exercise stock options on behalf of the option holder in the case of death of an option holder or if an option holder is unable to manage his or her affairs; and

- The exercise price for unexercised issued stock options ranges from $10.03 to $39.75, with expiry dates ranging from February 28, 2010 to February 26, 2017.

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 to insiders 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.

The HR Committee has the authority to suspend or discontinue the Stock Option Plan at any time without shareholder approval. Management does not have a right to amend, suspend or discontinue the Stock Option Plan. The HR Committee may also make certain amendments to the plan or any stock option grant without shareholder approval, including such items as correcting any ambiguity, error or omission in the plan, changing 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.

The Stock Option Plan also provides that certain amendments be approved by the shareholders of TransCanada as provided by the rules of the 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 the event of a change of control, the HR Committee has discretion to accelerate vesting of the outstanding unvested options provided there is no agreement with the acquiring entity relating to the unvested options.

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

Event	**Action**
Death	All outstanding stock options vest and become exercisable as at the date of death and may be exercised no later than the first anniversary of the date of death.
Resignation	The participant may exercise outstanding vested and exercisable stock options no later than six months after the last day of active employment, after which date all outstanding stock options are forfeited. No options vest after the last day of active employment.

Retirement	All outstanding stock options vest and become exercisable as at the date of retirement and the participant may exercise these, and all other vested and exercisable stock options until the earlier of the expiry date or three years past the date of retirement.
Termination without cause	The participant may exercise outstanding vested and exercisable stock options no later than the later of the last day of the notice period and six months after the last day of active employment, after which date all outstanding stock options are forfeited. No options vest during the notice period.
Termination for cause	The participant may exercise outstanding vested and exercisable stock options no later than six months after the last day of active employment, after which date all outstanding stock options are forfeited. No options vest after the last day of active employment.

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, 2009.

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	8,274,362	30.56	3,167,190
Equity compensation plans not approved by security holders	Nil	Nil	Nil
TOTAL	**8,274,362**	**30.56**	**3,167,190**

PENSION AND RETIREMENT BENEFITS

TransCanada s retirement program allows new employees and existing employees with less than ten years of service with TransCanada the choice to either participate permanently in the defined benefit pension plan or receive an annual Company contribution to the Company sponsored savings plan. Once an employee has ten years of service with the Company, participation in the defined benefit pension plan is mandatory. 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. Savings plan participants will have a choice annually between the defined benefit plan and the savings plan until they choose the defined benefit plan or they have ten years of service with the Company, whichever comes first. Savings plan participants do not accrue Credited Service (defined below) for the defined benefit plan while participating in the savings plan and are not entitled to carry over benefits accrued under the savings plan into the defined benefit pension plan.

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 TransCanada s 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 solely a non-contributory defined benefit pension plan. Employees may make optional pension contributions to an enhancement account to purchase ancillary or add-on defined benefit pension benefits within the pension plan.

The normal retirement age under TransCanada s 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. For early retirement between ages 55 and 60, the reduction applied is 4.8 per cent for each year from the earlier of 85 points or age 60, and for retirement before age 55 the reduction applied is an actuarial equivalent from age 55. The defined benefit plan is integrated with Canada Pension Plan benefits.

The benefit calculation below provides the annual base pension payable at normal retirement:

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 expressed as a percentage of base salary (100% for CEO, 80% for COO, and 60% for Executive Officers) 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 $2,494 for each year of Credited Service, with the result that benefits cannot be earned in the base pension plan on compensation above approximately $156,000 per annum.

Supplemental Pension Plan

All of the Pension Plan Employees, including the Executive Officers, who have Pensionable Earnings over the *Income Tax Act* (Canada) ceiling of approximately $156,000 per year, participate in the Company s non-contributory defined benefit supplemental pension plan. Approximately 500 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, in the past.

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 for married employees or, 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, 2009, TransCanada s accrued obligation for the supplemental pension plan was approximately $193.9 million. The 2009 current service costs and interest costs of the supplemental pension plan were approximately $4.1 and $11.9 million, respectively, for a total of $16 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 22 - (Employee Future Benefits) of the Notes to TransCanada s 2009 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)	20.33	823,000	1,149,000	8,662,000	157,000	1,561,000	10,380,000
G.A. Lohnes(2)	16.33	172,000	294,000	1,783,000	7,000	366,000	2,156,000
R.K. Girling(3)	14.00	243,000	556,000	2,046,000	653,000	583,000	3,282,000
A.J. Pourbaix(3)	14.00	239,000	601,000	1,823,000	11,000	578,000	2,412,000
D.M. Wishart	12.59	174,000	311,000	1,874,000	43,000	359,000	2,276,000

(1) In 2002, due to Mr. Kvisle s promotion to CEO, the HR Committee approved an arrangement to grant Mr. Kvisle 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 was 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 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, 2009.

(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, 2009.

(6) The accrued obligation is the reported value of the pension obligations at December 31, 2008, shown in column (d), and December 31, 2009, shown in column (g), using actuarial assumptions and methods that are consistent with those used for calculating pension obligations as disclosed in the TransCanada s 2008 and 2009 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.

(7) Column (e) shows the compensatory change in the accrued obligation and includes the service cost to TransCanada in 2009, plus compensation changes that were higher or lower than the salary assumption, and plan changes.

(8) 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.

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(3)***	***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(4)	Payments cease	Payments cease	Payments cease
Annual Bonus: Past Year	Not paid	Equals the Average Bonus(5) pro-rated by the number of months in the current year prior to the separation date	Not paid	Equals the Average Bonus(5) pro-rated by the number of months in the year prior to the separation date	Equals the Average Bonus(5) pro-rated by the number of months in the year prior to the separation date
Annual Bonus: Future Consideration	Not paid	A value based on the Average Bonus(5) multiplied by the notice period(3)	Not paid	Not paid	Not paid
Performance Share Units(6)	Vested units paid out; unvested units are forfeited	Vested units paid out; unvested units forfeited but originally granted value generally paid out on a *pro rata* basis	Vested units paid out; unvested units are forfeited	Vested units paid out; unvested units forfeited but originally granted value generally paid out on a *pro rata* basis	Vested units paid out; unvested units forfeited but originally granted value generally paid out on a *pro rata* basis
Stock Options	Vested options must be exercised by six months following separation; no options vest after the last day of active employment**(7)**	Vested options must be exercised by the later of the last day of the notice period**(4)** or six months following separation	Vested options must be exercised by six months following separation; no options vest after the last day of active employment(7)	All outstanding options vest and become exercisable; must be exercised by three years following retirement(8)	All outstanding options vest and become exercisable; must be exercised by the first anniversary of death(8)
Benefits	Coverage ceases or, if eligible, Retiree Benefits(9) commence	Coverage continues during notice period (or an equivalent lump-sum payout is made) and if eligible, service credit for the notice period(4) for Retiree Benefits(9)	Coverage ceases or, if eligible, Retiree Benefits(9) commence	Retiree Benefits(9) commence	Coverage ceases or, if eligible, Retiree Benefits(9) commence for a designated beneficiary

Pension	Paid as a commuted value or monthly benefit	Paid as a commuted value or monthly benefit(10)	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(4)	Payments cease	Payments cease	Payments cease

TRANSCANADA PIPELINES LIMITED **F-38**

TYPE OF COMPENSATION	**SEPARATION EVENT**				
	RESIGNATION(1)	***TERMINATION WITHOUT CAUSE(2)***	***TERMINATION WITH CAUSE***	***RETIREMENT(3)***	***DEATH***
Other	- - -	Outplacement services	- - -	- - -	- - -

(1) Includes voluntary resignation but does not include resignation as a result of constructive dismissal.
(2) Includes treatment afforded to an Executive Officer in the event of an Executive Officer s resignation owing to constructive dismissal.
(3) If the Executive Officer becomes eligible for long term disability and the Company terminates the employment of the Executive Officer, the terms and provisions noted for retirement will apply.
(4) The notice period for the CEO is three years. For all other Executive Officers, the notice period is two years.
(5) 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.
(6) Reflects the terms and provisions that generally apply under the noted separation events, however, under the Executive Share Unit Plan pursuant to which performance share units are granted to executives, the HR Committee has the discretion to determine the treatment of unvested units on a case-by-case basis for executives subject to a Separation Agreement.
(7) For option grants prior to January 1, 2010, unvested options continue to vest until six months after the separation date in the event of resignation or termination without cause.
(8) 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.
(9) All employees are eligible for Retiree Benefits if, at the separation date, they are age 55 or over with 10 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.
(10) 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).

The following table summarizes the 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.

Additionally, the CEO may, in the month following the one year anniversary after a change of control, 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.

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, 2009. 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(1)	**Payment Made in the Event of Termination with Cause(2) ($)**	**Payment Made in the Event of Termination Without Cause(3)(4) ($)**	**Payment Made in the Event of Retirement or Death ($)**	**Payment Made in the Event of Termination Without Cause Following a Change of Control(4)(5) ($)**
(a)	**(b)**	**(c)**	**(e)**	**(g)**
H.N. Kvisle	5,743,750	22,429,724	13,618,209	27,513,091
G.A. Lohnes	232,990	3,730,019	1,859,674	4,561,977
R.K. Girling	2,283,200	9,578,266	6,751,657	12,120,950
A.J. Pourbaix	1,323,800	8,310,675	5,349,590	10,427,358
D.M. Wishart	1,749,500	6,546,879	4,289,661	7,995,174

(1) Assuming all Executive Officers have a minimum 10 years of service as at the time of separation, Mr. Kvisle and Mr. Wishart would qualify for Retiree Benefits.
(2) Also constitutes treatment afforded an Executive Officer in the event of an Executive Officer s resignation without constructive dismissal.
(3) Also constitutes treatment afforded an Executive Officer in the event of an Executive Officer s resignation owing to constructive dismissal.
(4) 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 - $2,883,337;
- Mr. Lohnes - $883,341;
- Mr. Girling - $1,650,004
- Mr. Pourbaix - $1,533,341; and
- Mr. Wishart - $1,100,008.

(5) 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 2009 and assuming a value of $35.77 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, 2009; and
- the value of vested in-the-money stock options, assumed exercised as at the separation date and using an exercise price of $36.19 which is

based on the closing share price on the TSX of TransCanada s common shares on December 31, 2009.

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.

Financial Highlights

Year ended December 31 *(millions of dollars)*	**2009**	2008	2007	2006	2005
Income					
Net income applicable to common shares					
Continuing operations	**1,357**	1,420	1,210	1,049	1,208
Discontinued operations				28	
	1,357	1,420	1,210	1,077	1,208
Cash Flow					
Funds generated from operations	**3,044**	2,992	2,603	2,374	1,950
(Increase)/decrease in operating working capital	**(88)**	128	63	(503)	79
Net cash provided by continuing operations	**2,956**	3,120	2,666	1,871	2,029
Capital expenditures and acquisitions	**6,319**	6,363	5,874	2,042	2,071
Balance Sheet					
Total assets	**44,670**	40,735	31,737	26,386	24,113
Long-term debt	**16,186**	15,368	12,377	10,887	9,640
Junior subordinated notes	**1,036**	1,213	975		
Common shareholders' equity	**14,483**	12,574	9,664	7,618	7,164

TABLE OF CONTENTS

Management's Discussion and Analysis (MD&A) dated February 22, 2010 should be read in conjunction with the accompanying audited Consolidated Financial Statements of TransCanada PipeLines Limited (TCPL or the Company) and the notes thereto for the year ended December 31, 2009 which are prepared in accordance with Canadian generally accepted accounting principles (GAAP). This MD&A covers TCPL's financial position and operations as at and for the year ended December 31, 2009. "TCPL" or "the Company" includes TransCanada PipeLines Limited and its subsidiaries unless otherwise indicated. Amounts are stated in Canadian dollars unless otherwise indicated. Abbreviations and acronyms not defined in this MD&A are defined in the Glossary of Terms in the Company's 2009 Annual Report.

TCPL OVERVIEW

At December 31, 2009, TCPL had completed approximately $10 billion of its $22 billion capital program. Upon completion of this program, these assets are expected to generate additional annual earnings before interest, taxes, depreciation and amortization (EBITDA) of approximately $2.5 billion. The Company expects to complete most of the projects in its capital growth program by the end of 2013. Over the longer term, TCPL intends to continue to develop its substantial asset portfolio and pursue other large-scale pipeline and energy infrastructure projects. TCPL is committed to maintaining the financial strength required to invest in the development of North American energy infrastructure and respond to shifting energy supply-demand dynamics.

TCPL's 2009 Key Accomplishments

- Acquired ConocoPhillips' remaining interest in Keystone, increasing TCPL's ownership to 100 per cent;
- completed the first phase of construction of Keystone to Wood River and Patoka, Illinois;
- entered into an arrangement with ExxonMobil to jointly develop the Alaska pipeline and, in January 2010, filed a plan to obtain approval to conduct the first natural gas pipeline open season to develop Alaska's vast natural gas resources;
- Portlands Energy and the first phase of Kibby Wind were placed into service; and
- issued approximately $6 billion of debt and equity during a challenging North American economic environment.

Pipelines Assets

The TCPL pipeline network, including assets under construction and development, consists of more than 60,000 kilometres (km) (37,000 miles) of wholly owned and 8,800 km (5,468 miles) of partially owned natural gas pipelines and transports 20 per cent of the natural gas consumed in North America. TCPL's natural gas pipelines link gas supplies from Western Canada, the United States (U.S.) mid-continent and Gulf of Mexico to premium North American markets. These assets are well positioned to connect emerging natural gas supplies, including northern gas, northeastern British Columbia (B.C.) and U.S. shale gas, Rocky Mountain gas and offshore liquefied natural gas (LNG) imports, to growing markets.

TCPL's Alberta System gathered 66 per cent of the natural gas produced in Western Canada or 14 per cent of total North American production in 2009. TCPL transports natural gas from the Western Canada Sedimentary Basin (WCSB) to Eastern Canada and the U.S. West, Midwest, and Northeast through three wholly owned pipeline systems: the Canadian Mainline, GTN and Foothills. TCPL also transports natural gas from the WCSB to Eastern Canada and to the U.S. West, Midwest and Northeast through six partially owned natural gas pipeline systems: Great Lakes, Iroquois, Portland, TQM, Northern Border and Tuscarora. Certain of these pipeline systems are held through the Company's 38.2 per cent interest in TC PipeLines, LP (PipeLines LP).

ANR transports natural gas from producing fields located primarily in Texas, Oklahoma, the Gulf of Mexico and Louisiana to markets located in Wisconsin, Michigan, Illinois, Ohio and Indiana. It also connects with numerous other natural gas pipelines, providing customers with access to diverse sources of North American supply, including Western Canada and the Rocky Mountain region, and to a variety of end-user markets in the midwestern and northeastern U.S. ANR owns and operates 250 billion cubic feet (Bcf) of regulated natural gas storage capacity in Michigan. TCPL also serves natural gas markets in Mexico through its Tamazunchale and North Baja pipelines, and will expand service to markets in Mexico with the Guadalajara pipeline which is under construction.

In addition, TCPL is constructing the approximately 6,200 km (3,853 miles) Keystone crude oil pipeline. Keystone is expected to transport 1.1 million barrels per day (Bbl/d) of crude oil from Hardisty, Alberta to U.S. Midwest markets at Wood River and Patoka, Illinois, and to Cushing, Oklahoma, and to U.S. Gulf Coast markets. The pipeline will provide a low-cost shipping option to customers and is supported by long-term contracts with creditworthy counterparties. The first phase of Keystone, which is to Wood River and Patoka, is expected to commence delivery of crude oil in mid-2010 with the remaining phases expected to commence service in first quarter 2011 and first quarter 2013. In the medium to long term, opportunities for further additions to Keystone would expand the pipeline's transport capacity to 1.5 million Bbl/d from 1.1 million Bbl/d.

Energy Assets

TCPL's Energy business has grown to more than 11,700 megawatts (MW) in 2009 from 754 MW in 1999, including assets under construction and development. The Company's diverse power generation portfolio of primarily low-cost, base load and long-term contracted facilities comprises a total of 20 plants in Alberta, Arizona, Eastern Canada, New England and New York City.

TCPL's Western Power business comprises approximately 2,600 MW of power supply in Alberta and the western U.S. The Western Power portfolio in Alberta consists of three long-term power purchase arrangements (PPA): the Sheerness and Sundance A and B coal-fired plants, and five natural gas-fired cogeneration facilities consisting of MacKay River, Carseland, Bear Creek, Redwater and Cancarb. The Sundance A PPA expires in 2017 and the Sundance B and Sheerness PPAs expire in 2020. The other power facility in the Western Power portfolio is Coolidge, a natural gas-fired peaking facility under construction in Arizona whose output will be sold under a 20 year PPA. Coolidge is expected to be in service in second quarter 2011. Western Power's marketing business serves an integral function by purchasing and reselling electricity and natural gas to maximize the return from the Western Power assets.

The Eastern Power business is comprised of approximately 2,900 MW of power generation capacity, including facilities under construction. Eastern Power's operating assets consist of Bécancour, three of five Cartier Wind farms, Portlands Energy and Grandview. Power from Bécancour and Cartier Wind is sold to Hydro-Québec through 20 year power purchase contracts. Output from the Portlands Energy and Grandview facilities is sold through 20 year contracts with the Ontario Power Authority (OPA) and Irving Oil Limited (Irving), respectively. Halton Hills and the remaining two Cartier Wind farms which are under construction are expected to be in service in 2010, 2011 and 2012, respectively. Oakville, which is currently under development, is expected to be in service in first quarter 2014. Once operational, Oakville and Halton Hills will sell power to the OPA through 20 year contracts and the remaining two Cartier Wind farms will sell power to Hydro-Québec through 20 year contracts.

TCPL has a 48.8 per cent interest in Bruce A and a 31.6 per cent interest in Bruce B, which together comprise the Bruce Power nuclear generating facility. Bruce A has four 750 MW reactors, two of which are being refurbished, and Bruce B has four operational reactors with a combined capacity of 3,200 MW. Through a contract with the OPA, all of the output from Bruce A is effectively sold at a fixed price and the output from Bruce B is subject to a floor price.

TCPL's U.S. Power assets have approximately 3,800 MW of power generation capacity, including facilities under construction. The operating assets in the U.S. Power portfolio consist of Ravenswood, TC Hydro, OSP and phase one of Kibby Wind. Phase two of Kibby Wind is under construction and is expected to be placed into service in third quarter 2010. U.S. Power sells power to wholesale, commercial and industrial customers through TransCanada Power Marketing Ltd. (TCPM), a wholly owned subsidiary of TCPL.

The accompanying graph illustrates each fuel source as a percentage of the Company's overall Energy portfolio:

TCPL has developed a significant non-regulated natural gas storage business in Alberta where the Company owns or has rights to 129 Bcf or approximately one-third of natural gas storage capacity in the province.

TCPL'S STRATEGY

TCPL's vision is to be the leading energy infrastructure company in North America, focusing on pipelines and power generation opportunities in regions where it has or can develop a significant competitive advantage. TCPL's key strategies continue to evolve with the Company's growth and development and its changing business environment. TCPL's corporate strategy integrates five fundamental value-creating activities:

1. Maximize the full-life value of TCPL's infrastructure assets and commercial positions
2. Cultivate a focused portfolio of high quality development options
3. Commercially develop and physically execute new asset investment programs
4. Maximize TCPL's competitive strengths
5. Maximize TCPL's reputation and standing in financial markets

Maximize the full-life value of TCPL's infrastructure assets and commercial positions

TCPL relies on a low-risk business model to maximize the full-life value of its existing assets and commercial positions. In Pipelines, large scale natural gas and crude oil pipelines connect long life supply basins with stable and growing markets, generating predictable, sustainable cash flows and earnings of a long term nature. In Energy, highly efficient large scale power generation facilities supply power markets through long term power purchase and sale agreements and low-volatility shorter term commercial arrangements. TCPL's growing investments in natural gas, nuclear, wind and hydro generating facilities demonstrate the Company's commitment to sustainable, clean energy. Long-life infrastructure assets and long term commercial arrangements will continue as cornerstones of TCPL's business model.

Cultivate a focused portfolio of high quality development options

The Company's core regions within North America are the primary focus of growth initiatives in Pipelines and Energy. TCPL will continue to pursue opportunities to connect long-life shale and conventional gas resources in western Canada, northern Canada, Alaska, U.S. Rockies, U.S. midcontinent and Gulf Coast supply regions. TCPL will continue to pursue opportunities to connect growing crude oil volumes from the Alberta oilsands to preferred North American markets. The Company will continue to assess pipeline acquisition opportunities that complement its existing pipeline networks and provide access to new supply and market regions. In Energy, the Company will continue to focus on low-cost, long-life base load power generating and natural gas storage assets supported by firm, long-term contracts with reputable counterparties. Selected opportunities will move forward to full development and construction when market conditions are appropriate and project risks are manageable.

Commercially develop and physically execute new asset investment programs

TCPL expects to substantially complete construction of assets under its current $22 billion capital program by the end of 2013. The Company is focused on completing its capital projects on time and on budget, enabling it to meet commitments to customers and to deliver attractive, long-term returns to shareholders. The current capital program is characterized by highly contracted, long-term revenue streams with limited exposure to commodity prices. Capital cost risks are managed by TCPL's strong and experienced project management teams and industry-leading project management practices.

Maximize TCPL's competitive strengths

TCPL continues to build competitive strength in areas that directly drive long-term shareholder value. The Company relies on its scale, presence, operating capabilities, strong leadership and capable teams to compete effectively and deliver outstanding value to its customers. A disciplined approach to capital investment combined with a low cost of capital allows the Company to create significant shareholder value from large capital projects. TCPL recognizes that constructive relationships with key customers and stakeholders are critically important in the long-term energy infrastructure business. The Company continues to identify and build on all aspects of competitive strength.

Maximize TCPL's reputation and standing in financial markets

TCPL values its reputation for consistent financial performance and long term financial stability. The Company clearly communicates its financial performance to its investors, providing insight into both value upside and business risks. The Company works to sustain the trust and support of its long-term investors and to attract new investors who see long term value in a disciplined approach to the energy infrastructure business.

SELECTED THREE YEAR CONSOLIDATED FINANCIAL DATA
(millions of dollars, except per share amounts)

	2009	2008	2007
Income Statement			
Revenues	**8,966**	8,619	8,828
Comparable EBITDA[1]	**4,107**	4,125	3,919
Comparable EBIT[1]	**2,730**	2,878	2,682
EBIT[1]	**2,760**	3,133	2,708
Net income	**1,379**	1,442	1,232
Preferred share dividends	**22**	22	22
Net income applicable to common shares	**1,357**	1,420	1,210
Comparable earnings[1]	**1,308**	1,259	1,087
Per Common Share Data			
Net income per share Basic and Diluted	**$2.20**	$2.59	$2.33
Cash Flows			
Funds generated from operations[1]	**3,044**	2,992	2,603
(Increase)/decrease in operating working capital	**(88)**	128	63
Net cash provided by operations	**2,956**	3,120	2,666
Capital expenditures	**5,417**	3,134	1,651
Acquisitions, net of cash acquired	**902**	3,229	4,223
Balance Sheet			
Total assets	**44,670**	40,735	31,737
Total long-term liabilities	**24,065**	21,809	17,832

(1) Refer to the Non-GAAP Measures section of this MD&A for further discussion of comparable EBITDA, comparable EBIT, EBIT, comparable earnings, and funds generated from operations.

HIGHLIGHTS

Earnings

Net income was $1,379 million and net income applicable to common shares was $1,357 million compared to $1,442 million and $1,420 million, respectively, in 2008.

TCPL's comparable earnings of $1,308 million in 2009 excluded an after tax dilution gain of $18 million resulting from the Company's reduced interest in PipeLines LP and $30 million of favourable income tax adjustments. Comparable earnings of $1,259 million in 2008 excluded $152 million of after tax gains from bankruptcy settlements with certain subsidiaries of Calpine Corporation (Calpine), proceeds of $10 million after tax from a lawsuit settlement, a $27 million after tax writedown of costs for the Broadwater LNG project and $26 million of favourable income tax adjustments.

Cash Flow

Funds generated from operations were $3.0 billion in 2009, an increase of $0.1 billion from 2008.

TCPL invested $6.3 billion in its Pipelines and Energy capital projects in 2009, including the following:

- Capital expenditures of $3.9 billion for Pipelines projects, including construction of Keystone and the Bison pipeline project, and expansion of the Alberta System;
- capital expenditures of $1.5 billion for Energy projects, including the refurbishment and restart of Bruce A Units 1 and 2, and construction of Kibby Wind, Halton Hills, and Coolidge; and
- acquisition of ConocoPhillips' remaining interest in Keystone for $0.9 billion.

In 2009, TCPL issued approximately $3.3 billion of long-term debt and $1.7 billion of common shares, comprised primarily of the following:

- in 2009, the issuance of 52 million common shares resulting in proceeds of $1.7 billion;
- in February 2009, the issuance of $0.7 billion of Medium-Term Notes; and
- in January 2009, the issuance of US$2.0 billion of Senior Unsecured Notes.

In December 2009, TCPL established a new US$1.0 billion committed bank facility.

In November 2009, PipeLines LP issued five million common units at US$38.00 per unit, resulting in gross proceeds of US$0.2 billion.

Balance Sheet

Total assets increased by $3.9 billion to $44.7 billion in 2009 compared to 2008, primarily due to investments in Pipelines and Energy capital projects.

TCPL's shareholders' equity increased by $1.9 billion to $14.9 billion in 2009 compared to 2008.

Dividends

On February 22, 2010, the Board of Directors of TCPL declared a dividend for the quarter ending March 31, 2010 in an aggregate amount equal to the quarterly dividend to be paid on TransCanada Corporation's (TransCanada), issued and outstanding common shares at the close of business on March 31, 2010. The Board also declared regular dividends on TCPL's preferred shares.

Refer to the Consolidated Financial Review, Results of Operations and Liquidity and Capital Resources sections of this MD&A for further discussion of these highlights.

SEGMENT RESULTS

Effective January 1, 2009, TCPL revised the information presented in the tables of this MD&A to better reflect the operating and financing structure of the Company. The Pipelines and Energy results summaries are presented geographically by separating the Canadian and U.S. portions of each segment. The Company believes this new format more clearly describes the financial performance of its businesses. The new format presents EBITDA and earnings before interest and taxes (EBIT), which the Company believes provide greater transparency and more useful information with respect to the performance of its individual assets. Segmented information has been retroactively reclassified to reflect these changes. These changes had no impact on reported consolidated net income applicable to common shares.

Reconciliation of Comparable EBITDA, Comparable EBIT, EBIT and Comparable Earnings to Net Income Applicable to Common Shares

Year ended December 31, 2009 *(millions of dollars)*	Pipelines	Energy	Corporate	Total
Comparable EBITDA[1]	**3,093**	**1,131**	**(117)**	**4,107**
Depreciation and amortization	**(1,030)**	**(347)**		**(1,377)**
Comparable EBIT[1]	**2,063**	**784**	**(117)**	**2,730**
Specific items:				
Dilution gain from reduced interest in PipeLines LP	**29**			**29**
Fair value adjustments of natural gas inventory in storage and forward contracts		**1**		**1**
EBIT[1]	**2,092**	**785**	**(117)**	**2,760**
Interest expense				**(986)**
Interest expense of joint ventures				**(64)**
Interest income and other				**119**
Income taxes				**(376)**
Non-controlling interests				**(74)**
Net Income				**1,379**
Preferred share dividends				**(22)**
Net Income Applicable to Common Shares				**1,357**
Specific items (net of tax where applicable):				
Dilution gain from reduced interest in PipeLines LP				**(18)**
Fair value adjustments of natural gas inventory in storage and forward contracts				**(1)**
Income tax adjustments				**(30)**
Comparable Earnings[1]				**1,308**

Year ended December 31, 2008 *(millions of dollars)*	Pipelines	Energy	Corporate	Total
Comparable EBITDA[1]	3,019	1,210	(104)	4,125
Depreciation and amortization	(989)	(258)		(1,247)
Comparable EBIT[1]	2,030	952	(104)	2,878
Specific items:				
Calpine bankruptcy settlements	279			279
GTN lawsuit settlement	17			17
Writedown of Broadwater LNG project costs		(41)		(41)
EBIT[1]	2,326	911	(104)	3,133
Interest expense				(962)
Interest expense of joint ventures				(72)
Interest income and other				42
Income taxes				(591)
Non-controlling interests				(108)
Net Income				1,442
Preferred share dividends				(22)
Net Income Applicable to Common Shares				1,420
Specific items (net of tax where applicable):				
Calpine bankruptcy settlements				(152)
GTN lawsuit settlement				(10)
Writedown of Broadwater LNG project costs				27
Income tax adjustments				(26)
Comparable Earnings[1]				1,259

Year ended December 31, 2007 *(millions of dollars)*	Pipelines	Energy	Corporate	Total
Comparable EBITDA[1]	3,077	944	(102)	3,919
Depreciation and amortization	(1,021)	(216)		(1,237)
Comparable EBIT[1]	2,056	728	(102)	2,682
Specific items:				
Gain on sale of land		16		16
Fair value adjustments of natural gas inventory in storage and forward contracts		10		10
EBIT[1]	2,056	754	(102)	2,708
Interest expense				(961)
Interest expense of joint ventures				(75)
Interest income and other				118
Income taxes				(483)
Non-controlling interests				(75)
Net Income				1,232
Preferred share dividends				(22)
Net Income Applicable to Common Shares				1,210
Specific items (net of tax where applicable):				
Gain on sale of land				(14)
Fair value adjustments of natural gas inventory in storage and forward contracts				(7)
Income tax adjustments				(102)
Comparable Earnings[1]				1,087

(1) Refer to the Non-GAAP Measures section in this MD&A for further discussion of comparable EBITDA, comparable EBIT, EBIT, and comparable earnings.

RESULTS OF OPERATIONS

In 2009, net income applicable to common shares was $1,357 million compared to net income applicable to common shares of $1,420 million in 2008. Net income applicable to common shares in 2007 was $1,210 million.

Net income applicable to common shares in 2009 included $30 million of favourable income tax adjustments arising from a reduction in the Province of Ontario's corporate income tax rates, an $18 million after tax dilution gain resulting from TCPL's reduced interest in PipeLines LP after a public offering of PipeLines LP common units in fourth quarter 2009, and $1 million of after tax net unrealized gains (2008 nil; 2007 net gains of $7 million after tax) resulting from changes in the fair value of proprietary natural gas inventory in storage and natural gas forward purchase and sale contracts.

Net income applicable to common shares in 2008 included $152 million of after tax gains on shares received by GTN and Portland from the Calpine bankruptcy settlements, $10 million after tax of GTN lawsuit settlement proceeds and a $27 million after tax writedown of costs previously capitalized for Broadwater. Net income in 2008 also included $26 million of favourable income tax adjustments from an internal restructuring and realization of losses. Net income applicable to common shares in 2007 included $102 million of favourable income tax adjustments relating to changes in Canadian federal and provincial corporate income tax legislation, the resolution of certain tax matters and an internal restructuring, and an after tax gain of $14 million on the sale of land.

Comparable earnings in 2009, 2008 and 2007 were $1,308 million, $1,259 million and $1,087 million, respectively, and excluded the above-noted items.

Comparable earnings increased $49 million in 2009 compared to 2008. The increase in comparable earnings reflected:

- Increased comparable EBIT from Pipelines primarily due to higher earnings from the Alberta System revenue requirement settlement and the positive impact in 2009 of a stronger U.S. dollar on Pipelines' U.S. operations, partially offset by increased costs for developing new Pipelines projects, primarily the Alaska pipeline project;

- decreased comparable EBIT from Energy primarily due to lower power prices and a decreased demand for power in Western Power and U.S. Power, reflecting the downturn in the North American economy, partially offset by increased earnings from the start up of Portlands Energy and the Carleton phase of the Cartier Wind project, and higher realized power prices for Bruce Power;

- increased comparable EBIT losses from Corporate primarily due to higher support services costs, reflecting a growing asset base;

- increased interest expense as a result of long-term debt issuances in the second half of 2008 and first quarter 2009 and the negative impact of a stronger U.S. dollar. These increases were partially offset by an increase in capitalized interest relating to Keystone and other capital projects, and reduced losses from changes in the fair value of derivatives used to manage TCPL's exposure to fluctuating interest rates;

- increased interest income and other due to the positive impact of a weakening U.S. dollar on U.S. dollar working capital balances throughout 2009 and derivatives used to manage the Company's exposure to foreign exchange rate fluctuations;

- decreased income tax expense due to lower pre-tax earnings, higher income tax savings from income tax rate differentials and other positive income tax adjustments in 2009; and

- a reduction in non-controlling interests due to Portland's portion of the Calpine bankruptcy settlements recorded in 2008, partially offset by higher PipeLines LP earnings in 2009.

Comparable earnings increased $172 million in 2008 compared to 2007 due to an increase in Energy's comparable EBIT, primarily as a result of higher realized power prices and a full year of earnings from ANR, partially offset by unrealized losses from changes in the fair value of interest rate derivatives.

Results from each of the segments are discussed further in the Pipelines, Energy and Corporate sections of this MD&A.

FORWARD-LOOKING INFORMATION

This MD&A 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 security holders 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, capacity payments, 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 economic conditions in North America. By its nature, forward-looking information is subject to various risks and uncertainties, including those material risks discussed in the Pipelines, Energy and Risk Management and Financial Instruments sections in this MD&A, 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 U.S. Securities and Exchange Commission (SEC). Readers are cautioned not to place undue reliance on this forward-looking information, which is given as of the date it is expressed in this MD&A or otherwise, and not to 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.

NON-GAAP MEASURES

TCPL uses the measures "comparable earnings", "comparable EBITDA", "EBIT", "comparable EBIT" and "funds generated from operations" in this MD&A. These measures do not have any standardized meaning prescribed by GAAP. They are, therefore, considered to be non-GAAP measures and may not be comparable to similar measures presented by other entities. Management of TCPL uses these non-GAAP measures to improve its ability to compare financial results among reporting periods and to enhance its understanding of operating performance, liquidity and ability to generate funds to finance operations. These non-GAAP measures are also provided to readers as additional information on TCPL's operating performance, liquidity and ability to generate funds to finance operations.

EBITDA is an approximate measure of the Company's pre-tax operating cash flow. EBITDA comprises earnings before deducting interest and other financial charges, income taxes, depreciation and amortization, and non-controlling interests. EBIT is a measure of the Company's earnings from ongoing operations. EBIT comprises earnings before deducting interest and other financial charges, income taxes and non-controlling interests.

Management uses the measures of comparable earnings, comparable EBITDA and comparable EBIT to better evaluate trends in the Company's underlying operations. Comparable earnings, comparable EBITDA and comparable EBIT comprise net income applicable to common shares, EBITDA and EBIT, respectively, adjusted for specific items that are significant but are not reflective of the Company's underlying operations in the year. Specific items are subjective, however, management uses its judgement and informed decision-making when identifying items to be excluded in calculating comparable earnings, comparable EBITDA and comparable EBIT, some of which may recur. Specific items may include but are not limited to certain income tax refunds and adjustments, gains or losses on sales of assets, legal and bankruptcy settlements, and certain fair value adjustments. The Segment Results table in this MD&A presents a reconciliation of comparable earnings, comparable EBITDA, comparable EBIT and EBIT to net income and net income applicable to common shares.

Funds generated from operations comprises net cash provided by operations before changes in operating working capital. A reconciliation of funds generated from operations to net cash provided by operations is presented in the Summarized Cash Flow table in the Liquidity and Capital Resources section of this MD&A.

OUTLOOK

TCPL's corporate strategy is underpinned by long-term growth, focusing on its core strengths in its Pipelines and Energy businesses. In 2010 and beyond, TCPL expects net income and operating cash flow, combined with a strong balance sheet and proven ability to access capital markets, to provide the financial resources needed to complete its current capital expenditure program, continue to pursue long-term growth opportunities and create additional value for its shareholders. This strategy will be executed with the same discipline and deliberate manner that have characterized TCPL's current capital expenditure program. TCPL believes this prudence is especially important in the current economic environment in North America. In 2010, the Company will significantly advance its capital program and continue to implement its strategy to grow the Pipelines and Energy businesses as discussed in the TCPL's Strategy section of this MD&A.

In 2010, the Pipelines segment is expected to begin generating EBITDA from the initial phase of Keystone. Keystone's EBITDA will increase as additional phases are completed and brought into service. Pipelines' EBITDA may be affected by the expiry of long-term contracts, variances in throughput volume particularly on the U.S. pipelines, customer settlements and decisions made by applicable regulatory authorities.

Energy's EBITDA in 2010 will be affected by commodity price changes in instances where TCPL has not entered into contracts that manage these fluctuations or in circumstances where existing sales contracts expire and are replaced with new contracts entered into at prevailing market prices. Energy's EBITDA will also be impacted by fluctuations in capacity prices in the New York City market where Ravenswood operates and in New England. Furthermore, Energy's EBITDA in 2010 will be positively impacted by assets that were placed in service during 2009 and assets that are expected to be placed in service in 2010.

TCPL also expects earnings in 2010 to be impacted by a reduction in capitalized interest and an increase in depreciation as new assets are placed into service.

On a consolidated basis, the impact of changes in the value of the U.S. dollar on U.S. Pipelines and Energy EBIT is largely offset by the impact of the changes in the value of the U.S. dollar on U.S. dollar interest expense. The resultant net exposure is managed using derivatives, effectively reducing the Company's exposure to changes in foreign exchange rates. The average U.S. dollar exchange rate for the year ended December 31, 2009 was 1.14 (2008 and 2007 1.07).

The Company's results in 2010 may be affected by a number of factors and developments as discussed throughout this MD&A including, without limitation, the factors and developments discussed in the Forward-Looking Information, Pipelines Business Risks and Energy Business Risks sections. Refer to the Pipelines Outlook and Energy Outlook sections of this MD&A for further discussion of outlook. Commencing January 1, 2011, the Company's results will be impacted by the adoption of International Financial Reporting Standards (IFRS) as discussed in the Accounting Changes Future Accounting Changes section in this MD&A.

The following pipelines are owned 100 per cent by TCPL unless otherwise stated.

CANADIAN MAINLINE The Canadian Mainline is a 14,101 km (8,762 miles) natural gas transmission system in Canada extending from the Alberta/Saskatchewan border east to the Québec/Vermont border and connects with other natural gas pipelines in Canada and the U.S.

ALBERTA SYSTEM The Alberta System is a 23,905 km (14,854 miles) natural gas transmission system in Alberta that connects with the Canadian Mainline and Foothills natural gas pipelines and with third-party natural gas pipelines.

ANR ANR is a 17,000 km (10,563 miles) transmission system that transports natural gas from producing fields located primarily in Texas, Oklahoma, the Gulf of Mexico and Louisiana to markets located mainly in Wisconsin, Michigan, Illinois, Ohio and Indiana. ANR also owns and operates regulated underground natural gas storage facilities in Michigan with a total working capacity of 250 Bcf.

GTN GTN is a 2,174 km (1,351 miles) transmission system linking Foothills and Rocky Mountain sourced natural gas with third-party natural gas pipelines in Washington, Oregon and California, and with Tuscarora.

FOOTHILLS Foothills is a 1,241 km (771 miles) transmission system in Western Canada carrying 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.

VENTURES LP Ventures LP is comprised of a 161 km (100 miles) pipeline supplying natural gas to the oilsands region near Fort McMurray, Alberta and a 27 km (17 miles) pipeline supplying natural gas to a petrochemical complex at Joffre, Alberta.

TAMAZUNCHALE Tamazunchale is a 130 km (81 miles) natural gas pipeline in east central Mexico extending from Naranjos, Veracruz to Tamazunchale, San Luis Potosi.

NORTH BAJA Owned 100 per cent by PipeLines LP, North Baja is a natural gas transmission system extending 129 km (80 miles) from Ehrenberg, Arizona to Ogilby, California and connecting with a third-party natural gas pipeline system in Mexico. TCPL operates North Baja and effectively owns 38.2 per cent of the system through its 38.2 per cent interest in PipeLines LP.

TUSCARORA Owned 100 per cent by PipeLines LP, Tuscarora is a 491 km (305 miles) pipeline system transporting natural gas from GTN at Malin, Oregon, to Wadsworth, Nevada, with delivery points in northeastern California and northwestern Nevada. TCPL operates Tuscarora and effectively owns 38.2 per cent (2008 32.1 per cent) of the system through its 38.2 per cent (2008 32.1 per cent) interest in PipeLines LP.

NORTHERN BORDER Owned 50 per cent by PipeLines LP, Northern Border is a 2,250 km (1,398 miles) natural gas transmission system serving the U.S. Midwest. TCPL operates Northern Border and effectively owns 19.1 per cent (2008 16.1 per cent) of the system through its 38.2 per cent (2008 32.1 per cent) interest in PipeLines LP.

GREAT LAKES Owned 53.6 per cent by TCPL and 46.4 per cent by PipeLines LP, Great Lakes is a 3,404 km (2,115 miles) natural gas transmission system serving markets in Central Canada and the midwestern U.S. TCPL operates Great Lakes and effectively owns 71.3 per cent (2008 68.5 per cent) of the system through its direct ownership interest and its 38.2 per cent (2008 32.1 per cent) interest in PipeLines LP.

IROQUOIS Owned 44.5 per cent by TCPL, Iroquois is a 666 km (414 miles) pipeline system that connects with the Canadian Mainline near Waddington, New York, and delivers natural gas to customers in the northeastern U.S.

TQM Owned 50 per cent by TCPL, TQM is a 572 km (355 miles) pipeline system that connects with the Canadian Mainline and transports natural gas from Montréal to Québec City in Québec, and connects with Portland. TQM is operated by TCPL.

PORTLAND Owned 61.7 per cent by TCPL, Portland is a 474 km (295 miles) pipeline that connects with TQM near East Hereford, Québec and delivers natural gas to customers in the northeastern U.S. Portland is operated by TCPL.

TRANSGAS Owned 46.5 per cent by TCPL, TransGas is a 344 km (214 miles) natural gas pipeline system extending from Mariquita to Cali in Colombia.

GAS PACIFICO/INNERGY Owned 30 per cent by TCPL, Gas Pacifico is a 540 km (336 miles) natural gas pipeline extending from Loma de la Lata, Argentina to Concepción, Chile. TCPL also has a 30 per cent ownership interest in INNERGY, an industrial natural gas marketing company based in Concepción that markets natural gas transported on Gas Pacifico.

BISON Once completed, the Bison natural gas pipeline will extend 487 km (303 miles) from the Powder River Basin in Wyoming to Northern Border in North Dakota.

KEYSTONE Owned 100 percent (December 31, 2008 62 per cent) by TCPL, Keystone is a 3,456 km (2,147 miles) oil pipeline that will initially transport crude oil from Hardisty, Alberta to U.S. Midwest markets at Wood River and Patoka, Illinois, and to Cushing, Oklahoma. In addition, a 2,720 km (1,690 miles) expansion to the Gulf Coast is under development.

GUADALAJARA The Guadalajara natural gas pipeline is under construction and when completed will extend approximately 305 km (190 miles) from Manzanillo to Guadalajara in Mexico.

PIPELINES HIGHLIGHTS

Comparable EBITDA from Pipelines was $3.1 billion in 2009, an increase of $0.1 billion from $3.0 billion in 2008.

The Company invested $3.9 billion in Pipelines capital projects in 2009, including completion of the first phase of construction of Keystone to Wood River and Patoka, Illinois, for approximately $2.5 billion. The Company also completed the first phase and commenced construction on the second phase of the Alberta System's North Central Corridor expansion at a total capital cost of approximately $600 million to the end of 2009. The expected total capital cost for the North Central Corridor project is approximately $800 million.

During 2009, TCPL negotiated a Rate Design Settlement for the Alberta System, which provided for a new rate design for the existing system and expansions. This settlement addresses the evolving nature of the Alberta System and the commercial integration of ATCO Pipelines.

In December 2009, a Joint Review Panel of the Canadian government released a report on environmental and socio-economic factors relating to the Mackenize Gas Pipeline (MGP) project. The report has been submitted to the National Energy Board of Canada (NEB) as part of the review process for approval of the project. A decision is expected by fourth quarter 2010.

In October 2009, the NEB issued a ruling that its adjustment formula for the rate of return on common equity (ROE) would no longer be in effect. The decision affects the calculation of future tolls for TCPL's NEB-regulated natural gas pipelines. Prior to this ruling, the NEB issued a decision awarding TQM a 6.4 per cent after-tax weighted average cost of capital (ATWACC) for 2007 and 2008.

In April 2009, TCPL received a decision from the NEB affirming that the Alberta System is within federal jurisdiction and is subject to regulation by the NEB.

In 2009, TCPL acquired ConocoPhillips' remaining interest in Keystone, increasing the Company's ownership to 100 per cent.

In 2009, as a result of PipeLines LP issuing common units to the public, the Company's interest was reduced to 38.2 per cent and a dilution gain of $29 million was realized.

In June 2009, TCPL entered into an agreement with ExxonMobil to jointly advance the Alaska pipeline.

PIPELINES RESULTS

Year ended December 31 *(millions of dollars)*

	2009	2008	2007
Canadian Pipelines			
Canadian Mainline	**1,133**	1,141	1,207
Alberta System	**728**	692	775
Foothills	**132**	133	135
Other (TQM, Ventures LP)	**59**	50	51
Canadian Pipelines Comparable EBITDA[1]	**2,052**	2,016	2,168
U.S. Pipelines			
ANR	**347**	347	272
GTN[2]	**195**	198	187
Great Lakes	**138**	127	125
PipeLines LP[2][3]	**84**	70	62
Iroquois	**78**	59	55
Portland[4]	**26**	27	34
International (Tamazumchale, TransGas, Gas Pacifico/INNERGY)	**58**	40	51
General, administrative and support costs[5]	**(17)**	(15)	(17)
Non-controlling interests[2][6]	**194**	187	187
U.S. Pipelines Comparable EBITDA[1]	**1,103**	1,040	956
Business Development Comparable EBITDA[1]	**(62)**	(37)	(47)
Pipelines Comparable EBITDA[1]	**3,093**	3,019	3,077
Depreciation and amortization	**(1,030)**	(989)	(1,021)
Pipelines Comparable EBIT [1]	**2,063**	2,030	2,056
Specific items:			
Dilution gain from reduced interest in PipeLines LP[3][7]	**29**		
Calpine bankruptcy settlements[8]		279	
GTN lawsuit settlement		17	
Pipelines EBIT [1]	**2,092**	2,326	2,056

(1) Refer to the Non-GAAP Measures section in this MD&A for further discussion of comparable EBITDA, comparable EBIT and EBIT.

(2) GTN's results include North Baja until July 1, 2009 when it was sold to PipeLines LP.

(3) Effective November 18, 2009, PipeLines LP's results reflected TCPL's effective ownership in PipeLines LP of 38.2 per cent. From July 1, 2009 to November 17, 2009, TCPL's ownership interest in PipeLines LP was 42.6 per cent. From February 22, 2007 to June 30, 2009, TCPL's ownership interest in PipeLines LP was 32.1 per cent. From January 1, 2007 to February 22, 2007, TCPL's ownership interest in PipeLines LP was 13.4 per cent.

(4) Portland's results reflect TCPL's 61.7 per cent ownership interest.

(5)

Represents certain costs associated with supporting the Company's Canadian and U.S. Pipelines.

(6) Non-controlling interests reflects EBITDA for the portions of PipeLines LP and Portland not owned by TCPL.

(7) As a result of PipeLines LP issuing common units to the public, the Company's ownership interest in PipeLines LP was reduced to 38.2 per cent from 42.6 per cent and a dilution gain of $29 million was realized.

(8) GTN and Portland received shares of Calpine with an initial value of $154 million and $103 million, respectively, as a result of the bankruptcy settlements with Calpine. These shares were subsequently sold for an additional gain of $22 million.

Pipelines generated comparable EBIT of $2,063 million in 2009 compared to $2,030 million in 2008. Comparable EBIT in 2009 excluded the $29 million pre-tax dilution gain resulting from TCPL's reduced interest in PipeLines LP, which occurred following the public issuance of common units by PipeLines LP in November 2009. Comparable EBIT in 2008 excluded the $279 million of gains received by Portland and GTN from the bankruptcy settlements with Calpine and the $17 million of proceeds received by GTN from a lawsuit settlement with a software supplier. Comparable EBIT in 2007 was $2,056 million.

Wholly Owned Canadian Pipelines Net Income

Year ended December 31 *(millions of dollars)*

	2009	2008	2007
Canadian Mainline	**273**	278	273
Alberta System	**168**	145	138
Foothills	**23**	24	26

PIPELINES FINANCIAL ANALYSIS

Canadian Mainline The Canadian Mainline is regulated by the NEB, which sets tolls that provide TCPL with the opportunity to recover projected costs of transporting natural gas, including a return on the Canadian Mainline's average investment base. The NEB also approves new facilities before construction begins. Canadian Mainline's EBITDA is affected by changes in investment base, the ROE, the level of deemed common equity, potential incentive earnings and changes in the level of depreciation, financial charges and income taxes recovered in revenue on a flow-through basis.

The Canadian Mainline currently operates under a five year tolls settlement effective from 2007 to 2011. The cost of capital reflects an ROE as determined by the NEB's ROE formula on deemed common equity of 40 per cent.

The tolls settlement also established certain elements of the Canadian Mainline's fixed operating, maintenance and administration (OM&A) costs for each of the five years. The variance between actual and agreed-upon OM&A costs accrued entirely to TCPL from 2007 to 2009, and will be shared equally between TCPL and its customers in 2010 and 2011. All other cost elements of the revenue requirement are treated on a flow-through basis. The settlement also allows for performance-based incentive arrangements that the Company believes are mutually beneficial to TCPL and its customers.

Net income of $273 million in 2009 was $5 million lower than $278 million in 2008. The decrease was primarily the result of a lower average investment base and a lower ROE of 8.57 per cent in 2009 compared to 8.71 per cent in 2008, partially offset by higher OM&A cost savings. Net income of $278 million in 2008 was $5 million higher than $273 million in 2007 primarily due to higher performance-based incentives, increased OM&A cost savings and an ROE of 8.71 per cent in 2008 compared to 8.46 per cent in 2007. These increases were partially offset by a lower average investment base.

Comparable EBITDA of $1,133 million in 2009 was $8 million lower than $1,141 million in 2008. The decrease was primarily due to lower revenues as a result of recovery of a lower overall return on a reduced average investment base and a lower ROE in 2009. The decrease in revenues was partially offset by higher OM&A cost savings and recovery of higher depreciation in 2009. EBITDA of $1,141 million in 2008 was $66 million lower than $1,207 million in 2007 primarily due to lower revenues as a result of the recovery of lower depreciation, financial charges and income taxes in 2008. The decrease in revenues was partially offset by higher EBITDA from performance-based incentives, OM&A cost savings and higher ROE.

Alberta System Effective April 29, 2009, the Alberta System became federally regulated by the NEB under the *National Energy Board Act* (Canada). The Alberta System was previously regulated by the Alberta Utilities Commission (AUC), primarily under the provisions of the *Gas Utilities Act* (Alberta) and *Pipeline Act* (Alberta). The Alberta System's EBITDA is affected by changes in investment base, the ROE, the level of deemed common equity, potential incentive earnings and changes in the level of depreciation, financial charges and income taxes recovered in revenue on a flow-through basis.

The Alberta System operates under the 2008 2009 Revenue Requirement Settlement originally approved by the AUC in December 2008 and subsequently approved by the NEB following the Alberta System's transfer to federal jurisdiction. In December 2009, the NEB approved TCPL's application to establish final 2009 tolls. In 2007, the Alberta System operated under the 2005 2007 Revenue Requirement Settlement approved by the AUC in June 2005.

As part of the 2008 2009 Revenue Requirement Settlement, fixed amounts were established for ROE, income taxes and certain OM&A costs. Any variances between actual costs and those agreed to in the settlement accrued to TCPL, subject to an ROE and income tax adjustment mechanism that accounted for variances between actual and settlement rate base, and income tax assumptions. The other cost elements of the settlement were treated on a flow-through basis.

The Alberta System's net income of $168 million in 2009 was $23 million higher than in 2008, primarily due to higher settlement earnings and a higher average investment base in 2009. Net income of $145 million in 2008 was $7 million higher than in 2007 due to increased earnings as a result of the 2008 2009 Revenue Requirement Settlement. Earnings in 2007 reflected an ROE of 8.51 per cent on deemed common equity of 35 per cent.

The Alberta System's comparable EBITDA of $728 million in 2009 was $36 million higher than in 2008, primarily due to higher settlement earnings and a higher average investment base in 2009 as well as increased revenues as a result of the recovery of higher financial charges, partially offset by lower income taxes. EBITDA of $692 million in 2008 was $83 million lower than in 2007. The decrease was due to lower revenues as a result of the recovery of lower depreciation, income taxes and financial charges, partially offset by increased earnings as a result of the 2008 2009 Revenue Requirement Settlement.

Other Canadian Pipelines Comparable EBITDA from Other Canadian Pipelines was $59 million in 2009 compared to $50 million in 2008. The increase was primarily due to the NEB decision reached in March 2009 on TQM's cost of capital for the years 2007 and 2008. EBITDA was $50 million in 2008 compared to $51 million in 2007.

ANR The operations of ANR are regulated primarily by the U.S. Federal Energy Regulatory Commission (FERC). ANR provides natural gas transportation, storage and various capacity-related services to a variety of North American customers. ANR's transmission system has a peak-day capacity of 6.8 billion cubic feet per day (Bcf/d). Due to the seasonal nature of its business, ANR's volumes and revenues are generally higher in the winter months. ANR also owns and operates 250 Bcf of regulated underground natural gas storage facilities in Michigan. ANR's natural gas storage and transportation services operate under current FERC-approved tariffs. These tariffs include maximum and minimum rates for services and permit ANR to discount or negotiate rates on a non-discriminatory basis.

ANR Pipeline Company (ANR Pipeline) rates were established pursuant to a settlement approved by the FERC effective November 1997. ANR Storage Company's rates were established pursuant to a settlement approved by the FERC effective June 1990. None of ANR's FERC-regulated operations are required to file for new rates at any time in the future, nor are any of the operations prohibited from filing a rate case.

ANR's comparable EBITDA in 2009 was $347 million, which was consistent with 2008. Higher transportation and storage revenues, as a result of expansion projects, increased utilization and favourable pricing on existing capacity, and the positive impact of a stronger U.S. dollar in 2009 were offset by lower incidental natural gas sales, primarily due to lower prices, and higher OM&A and business development costs. Comparable EBITDA in 2008 was $347 million compared to $272 million in 2007. The increase was primarily due to a full year of earnings in 2008 and increased revenue from new growth projects, partially offset by higher OM&A costs.

GTN GTN is regulated by the FERC and is operated in accordance with FERC-approved tariffs that establish maximum and minimum rates for various services. GTN's pipeline rates were established pursuant to a settlement approved by the FERC in January 2008, and these rates were effective January 1, 2007. Under the settlement, a five-year moratorium commencing January 1, 2007 was established during which GTN and the settling parties are prohibited from taking certain actions, including any filings to adjust rates. The settlement also requires GTN to file for new rates to be in effect no later than January 1, 2014. GTN is permitted to discount or negotiate these rates on a non-discriminatory basis. GTN's EBITDA is affected by variations in contracted volume levels, volumes delivered and prices charged under the various service types, as well as by variations in the costs of providing services.

GTN's comparable EBITDA was $195 million in 2009, a decrease of $3 million compared to 2008. The decrease was primarily due to the sale of North Baja to PipeLines LP in 2009, partially offset by the positive impact of a stronger U.S. dollar in 2009. GTN's EBITDA was $198 million in 2008, an increase of $11 million compared to 2007 primarily due to lower OM&A expenses.

Other U.S. Pipelines Comparable EBITDA from other U.S. Pipelines was $561 million in 2009 compared to $495 million in 2008. The increase was primarily due to the positive impact of a stronger U.S. dollar in 2009, the July 2009 PipeLines LP acquisition of North Baja, increased revenues from Gas Pacifico resulting from a new transportation agreement and higher short-term revenues from Iroquois. EBITDA was $497 million in 2007.

Business Development Pipelines' business development comparable EBITDA losses increased $25 million in 2009 compared to 2008 primarily due to higher business development costs related to the Alaska pipeline project.

Depreciation and Amortization Depreciation increased $41 million in 2009 compared to 2008 primarily due to a stronger U.S. dollar in 2009. The $32 million decrease in depreciation in 2008 compared to 2007 was primarily due to lower depreciation for the Alberta System.

PIPELINES OPPORTUNITIES AND DEVELOPMENTS

Crude Oil

Keystone In August 2009, TCPL purchased ConocoPhillips' remaining approximate 20 per cent interest in Keystone for US$553 million and the assumption of US$197 million of short-term debt. TCPL now owns 100 per cent of Keystone.

In 2008, TCPL entered into an agreement with ConocoPhillips to increase its equity ownership in Keystone to approximately 80 per cent from 50 per cent, with ConocoPhillips' equity ownership in Keystone being reduced concurrently to approximately 20 per cent from 50 per cent. In 2008 and prior to August 2009, TCPL funded 100 per cent of the construction expenditures until the participants' cumulative project capital contributions were aligned with their revised ownership interests. In 2009, prior to August, TCPL funded $1.3 billion of cash calls for Keystone, resulting in the Company acquiring an incremental increase in ownership of approximately 18 per cent for $313 million. In 2008, the Company funded $362 million of cash calls, resulting in an incremental increase in ownership of approximately 12 per cent for $176 million. TCPL's ownership interest was approximately 80 per cent and 62 per cent in August 2009 and at December 31, 2008, respectively.

After gaining regulatory approval in both Canada and the U.S., construction of Keystone began in May 2008. Commissioning of the first phase of Keystone, extending from Hardisty to Wood River and Patoka with an initial nominal capacity of 435,000 Bbl/d began in late 2009.

In June 2008, Keystone received approval from the NEB to add new pumping facilities to accommodate deliveries to the Cushing market. The second phase of Keystone is expected to expand nominal capacity to 591,000 Bbl/d and extend the pipeline to Cushing, with commissioning expected to commence in late 2010 and commercial in service expected to commence in first quarter 2011.

After an open season conducted during third quarter 2008, Keystone secured additional firm, long-term shipper contracts on its system. With these commitments, Keystone filed the necessary regulatory applications in Canada and the U.S. for approval to construct and operate the expansion of the pipeline system that is expected to provide additional capacity from Western Canada to the U.S. Gulf Coast in early 2013, increasing the total commercial capacity of Keystone to approximately 1.1 million Bbl/d. In September 2009, the NEB held a hearing to review the application for the new Canadian facilities required for the Keystone Gulf Coast expansion. The NEB is expected to issue a decision in first quarter 2010 on TCPL's application to construct and operate the facilities, including the proposed tolling methodology. Facility permits for the U.S. portion of the expansion are expected by fourth quarter 2010. Construction of the expansion facilities is anticipated to commence in first quarter 2011 following the receipt of the necessary regulatory approvals.

The capital cost of Keystone, including expansion to the Gulf Coast, if approved, is expected to be approximately US$12 billion with approximately US$5 billion spent to date. At December 31, 2009, costs of $470 million related to the Keystone expansion to the Gulf Coast are included in intangibles and other assets. Capital costs related to the construction of Keystone are subject to capital cost risk- and reward-sharing mechanisms with TCPL's customers.

The NEB issued approval to commence operations, including commissioning activities, for the Canadian portion of Keystone's facilities, subject to certain conditions. The approval for the Canadian segment of the pipeline was granted for a period ending approximately nine months from commencement of commercial in service, at a reduced maximum operating pressure (MOP), which will reduce throughput capacity below initial nominal capacity of 435,000 Bbl/d. Prior to the conclusion of this nine month period, Keystone is required to run additional in-line inspections on this segment. These inspections and any remedial work are expected to be completed within this nine month period. Following these activities, TCPL expects the MOP restriction to be lifted.

TCPL expects Keystone to commence delivery of crude oil from Hardisty, Alberta, to U.S. Midwest markets at Wood River and Patoka, Illinois beginning mid-2010, and to Cushing, Oklahoma in first quarter 2011. Pending regulatory approval, an expansion of the system to the U.S. Gulf Coast is expected to commence the delivery of crude oil in early 2013.

TCPL expects Keystone to begin generating EBITDA in 2010 with earnings increasing through 2011, 2012 and 2013 as expansion phases commence delivery of crude oil. Contracted volumes of 217,500 Bbl/d will increase to 910,000 Bbl/d from 2010 to 2013 as commercial in service of the Cushing and Gulf Coast phases commence. Based on current long-term commitments, Keystone is expected to generate EBITDA of approximately US$1.2 billion in 2013, its first full year of commercial operation servicing both the U.S. Midwest and Gulf Coast markets. If volumes were to increase to 1.1 million Bbl/d, the full commercial design of the system, Keystone would generate annual EBITDA of approximately US$1.5 billion. Keystone volumes could be economically expanded to 1.5 million Bbl/d from 1.1 million Bbl/d in response to additional market demand.

<u>*Natural Gas*</u>

NEB Changes

Changes to NEB ROE Formula In March 2009, the NEB initiated a process to consider the continuing applicability of its RH-2-94 Decision. This decision established an ROE adjustment formula tied to Government of Canada bond yields and had formed the basis for determining tolls for certain pipelines under NEB jurisdiction since 1995. In October 2009, the NEB determined that the RH-2-94 Decision would no longer be in effect. The NEB decided that the cost of capital would be determined by negotiations between pipeline companies and their shippers or by the NEB if a pipeline company files a cost of capital application. This decision affects certain NEB-regulated pipelines, including the Canadian Mainline, Alberta System, Foothills and TQM. TCPL will be working with customers and interested parties to determine the cost of capital to be used in calculating tolls beginning in 2010 for the Alberta System, Foothills and TQM, and for the Canadian Mainline upon expiry of its existing settlement. If agreements cannot be reached, applications will be filed with the NEB requesting an appropriate return on capital.

In November 2009, the Canadian Association of Petroleum Producers and the Industrial Gas Users Association sought leave to appeal the October 2009 NEB decision to the Federal Court of Appeal and named the NEB as the sole respondent. In January 2010, TCPL was granted respondent status in the matter and in February 2010 filed its submission opposing the leave application.

Asset Retirement Obligations In May 2009, the NEB issued a decision on the Land Matters Consultation Initiative with respect to financial issues related to pipeline abandonment. All pipeline companies regulated under the *National Energy Board Act* (Canada) will be required to comply with the framework and action plan set out in the decision. The NEB's goal is to have pipeline companies begin collecting and setting aside funds to cover future abandonment costs no later than mid-2014. There are several filing deadlines in the action plan with which NEB regulated pipeline companies have to comply, including deadlines for preparing and filing an estimate of the abandonment costs, developing a proposal for collection of funds through tolls or some other satisfactory method and developing a proposed process to set aside the funds collected. As a result of this decision, TCPL has initiated a project to estimate the abandonment costs on its NEB-regulated pipelines. The estimate will be filed with the NEB for approval by May 31, 2011.

Canadian Mainline The Canadian Mainline will continue to base its return on the NEB's ROE formula for 2010 and 2011 in accordance with the terms of the current Canadian Mainline tolls settlement. In December 2009, the NEB approved TCPL's application for 2010 final tolls for the Canadian Mainline's transportation service, effective January 1, 2010. The 2010 calculated ROE for the Canadian Mainline will be 8.52 per cent, a decrease from 8.57 per cent in 2009.

Alberta System Effective April 29, 2009, the Alberta System became regulated by the NEB under the *National Energy Board Act* (Canada). The Alberta System was previously regulated by the AUC. Under federal regulation, TCPL is able to apply to the NEB for approval to extend the Alberta System across provincial borders, allowing the Company to provide service to producers outside of Alberta.

In September 2009, TCPL began construction on the final phase of the North Central Corridor natural gas pipeline, a 300 km (186 miles) extension of the Alberta System's northern section. This final phase is expected to be completed by April 2010. The initial phase was completed and operational in 2009. The North Central Corridor pipeline will provide capacity to accommodate increasing natural gas supply in northwest Alberta and northeast B.C. and growing markets in Alberta, and to offset declining natural gas supply in northeast Alberta while delivering more natural gas to the Alberta/Saskatchewan border. The total capital cost of the project is estimated to be approximately $800 million.

TCPL expects producers will continue to explore and develop new gas fields in Western Canada, particularly in northeastern B.C. and the west and central foothills regions of Alberta. There is also expected to be significant exploration and development activity aimed at unconventional resources such as coalbed methane and shale gas. The emergence of economically producible unconventional gas from B.C. shale gas supply, including the Montney and Horn River regions, has the potential to become a significant new opportunity for the Alberta System. While these areas are in their early stages of development, they appear to be comparable to U.S. shale gas supply volumes. Current estimates of the potential gas supply from these two areas range from 70 trillion cubic feet to 150 trillion cubic feet.

In November 2009, the NEB concluded a public hearing on TCPL's application for approval to construct and operate the Groundbirch pipeline, which is comprised of a 77 km (48 miles) natural gas pipeline and related above-ground facilities. TCPL has entered into firm transportation agreements with Groundbirch customers that are expected to increase to 1.1 Bcf/d by 2014. The Groundbirch pipeline, if approved, will be an extension of the Alberta System and will connect natural gas supply primarily from the Montney shale gas formation in northeast B.C. to existing infrastructure in northwest Alberta. Construction of the Groundbirch pipeline is expected to commence in July 2010 with completion anticipated in November 2010. A decision from the NEB is expected in first quarter 2010. The total capital cost of the project is estimated to be $200 million.

In May 2009, TCPL filed a Project Description with the NEB to initiate a regulatory review of the proposed Horn River project, which comprises construction of a 72 km (45 miles) natural gas pipeline and related facilities, including above-ground facilities, and acquisition of the existing 83 km (52 miles) Ekwan pipeline from EnCana Corporation. The Horn River project would connect new shale natural gas supply in the Horn River basin north of Fort Nelson, B.C. to the Alberta System. Total contractual commitments for Horn River have increased to 503 million cubic feet per day (mmcf/d) by 2014 from 378 mmcf/d as a result of newly contracted volumes from a recently announced natural gas processing facility that will be located in the Horn River area. As part of the Horn River project, in November 2009, TCPL entered into an agreement to acquire the Ekwan pipeline, which is expected to close in September 2011. In February 2010, the Company filed an application with the NEB for approval to construct and operate the Horn River project. Subject to regulatory approvals, the Horn River project is anticipated to commence operations in second quarter 2012. The total capital cost of the project is expected to be approximately $310 million.

Both the Groundbirch and Horn River projects are proposed as extensions to the Alberta System, which would provide B.C. producers with direct integrated gas transmission service from receipt points in B.C. These pipeline projects would also increase netbacks to producers and throughput on the Alberta System and increase usage of the Nova Inventory Transfer commercial hub that is used by buyers and sellers of natural gas throughout North America.

NOVA Gas Transmission Ltd. (NGTL) and Canadian Utilities Limited (ATCO Pipelines) continue to work towards obtaining the necessary regulatory approvals to provide commercial and operational integrated services to shippers on the Alberta System and the ATCO Pipelines system in Alberta. Final decisions from the AUC and NEB are expected by mid-2010 with implementation occurring within 12 months following receipt of required regulatory approvals. The integration of commercial and operational services on the Alberta System and ATCO Pipelines system will create the effect of a single integrated natural gas transmission system in Alberta, resulting in more efficient transportation of natural gas for customers.

During 2009, TCPL negotiated an Alberta System Rate Design Settlement with all key stakeholders. This rate design addresses the evolving nature of the Alberta System and the commercial and operational integration of ATCO Pipelines. It also incorporates a single delivery service for all delivery points resulting from the amalgamation of the current intra-Alberta and export delivery services. The changes are expected to improve the Alberta System's services by making them more consistent and adding flexibility for customers. The Company filed a combination application with the NEB on November 27, 2009 for approval of both the Rate Design Settlement and the integration of commercial and operational services on the Alberta System and ATCO Pipelines' system in Alberta. A final decision is expected from the NEB by mid-2010 with implementation occurring within the 12 months following approval.

TQM In March 2009, TQM received the NEB's decision on its cost of capital application for 2007 and 2008, which requested an 11 per cent return on 40 per cent deemed common equity. The NEB set a 6.4 per cent ATWACC for each of the two years, which equates to a 9.85 per cent return on 40 per cent deemed common equity in 2007 and a 9.75 per cent return on 40 per cent deemed common equity in 2008. Prior to the decision, TQM was subject to the NEB ROE formula of 8.46 per cent and 8.71 per cent for 2007 and 2008, respectively, on deemed common equity of 30 per cent. In June 2009, the NEB approved TQM's final tolls for 2007 and 2008, which reflected the 6.4 per cent ATWACC.

Ventures LP In May 2009, the AUC concluded an investigation of the rates on Ventures LP and determined they are unjust and unreasonable. The AUC sought an Order in Council from the Alberta government to proceed with a process to establish new rates. In September 2009, the Alberta Court of Appeal granted Ventures LP leave to appeal the AUC's decision. The appeal is expected to be heard in March 2010.

ANR In 2009, ANR received regulatory approval of the Wisconsin 2009 Project to construct a pipeline with capacity of approximately 97 mmcf/d that will deliver incremental natural gas to Wisconsin markets. A portion of the pipeline was placed in service in 2009. The remainder of the project is expected t