

TRANSCANADA PIPELINES LTD
Form 40-F
February 26, 2009

[QuickLinks](#) -- Click here to rapidly navigate through this document

U.S. Securities and Exchange Commission

Washington, D.C. 20549

Form 40-F

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

OR

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

For the fiscal year ended **December 31, 2008** 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 Northern Border Inc., 13710 FNB Parkway

Omaha, Nebraska, 68154-5200; (877) 290-2772

(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:

Annual Information Form

Audited annual financial statements

Edgar Filing: TRANSCANADA PIPELINES LTD - Form 40-F

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, 2008, 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 by filing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934 (the "Exchange Act"). If "Yes" is marked, indicate the file number assigned to the Registrant in connection with such Rule. Yes No

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 No

Edgar Filing: TRANSCANADA PIPELINES LTD - Form 40-F

The documents (or portions thereof) forming part of this Form 40-F are incorporated by reference into Registration Statement on Form F-9 (File No. 333-154961) under the *Securities Act of 1933*, as amended.

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

A. Audited Consolidated Annual Financial Statements

For audited consolidated financial statements, including the report of the independent chartered accountants, see pages 78 through 130 of the TransCanada PipeLines Limited ("TCPL") 2008 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.

B. Management's Discussion & Analysis

For management's discussion and analysis, see pages 2 through 77 of the TCPL 2008 Management's Discussion and Analysis and Audited Consolidated Financial Statements included herein.

For the purposes of this Report, only pages 2 through 77 and 78 through 130 of the TCPL 2008 Management's Discussion and Analysis and Audited Consolidated Financial Statements shall be deemed incorporated herein by reference and filed, and the balance of such 2008 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 Annual 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 78;
- 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 64 of the TCPL 2008 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 64 of the TCPL 2008 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 2008 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 25 of the TCPL 2008 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 50 of the TCPL 2008 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
P. Gauthier
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 shareholders and potential investors with information regarding TCPL and its subsidiaries, including management's assessment of TCPL's and its subsidiaries' future financial and operational plans and outlook. Forward-looking statements in this document may include, among others, statements regarding the anticipated business prospects and financial performance of TCPL and its subsidiaries, expectations or projections about the future, strategies and goals for growth and expansion, expected and future cash flows, costs, schedules, operating and financial results and expected impact of future commitments and contingent liabilities. All forward looking statements reflect TCPL's beliefs and assumptions based on information available at the time the statements were made. Actual results or events may differ from those predicted in these forward-looking statements. Factors that could cause actual results or events to differ materially from current expectations include, among others, the ability of TCPL to successfully implement its strategic initiatives and whether such strategic initiatives will yield the expected benefits, the operating performance of the Company's pipeline and energy assets, the availability and price of energy commodities, regulatory processes and decisions, changes in environmental and other laws and regulations, competitive factors in the pipeline and energy sectors, construction and completion of capital projects, labour, equipment and material costs, access to capital markets, interest and currency exchange rates, technological developments and the current economic conditions in North America. By its nature, forward-looking information is subject to various risks and uncertainties, which could cause TCPL's actual results and experience to differ materially from the anticipated results or other 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 not to 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, 2009

DOCUMENTS FILED AS PART OF THIS REPORT

- 13.1 TCPL's Annual Information Form for the year ended December 31, 2008.
- 13.2 Management's Discussion and Analysis (included on pages 2 through 77 of the TCPL 2008 Management's Discussion and Analysis and Audited Consolidated Financial Statements).
- 13.3 2008 Audited Consolidated Financial Statements (included on pages 78 through 130 of the TCPL 2008 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, 2008.
- 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 23, 2009

TABLE OF CONTENTS

	Page
PRESENTATION OF INFORMATION	ii
FORWARD-LOOKING INFORMATION	ii
TRANSCANADA PIPELINES LIMITED	1
Corporate Structure	1
Intercorporate Relationships	1
GENERAL DEVELOPMENT OF THE BUSINESS	2
Developments in the Pipelines Business	2
Developments in the Energy Business	5
Financing Activities	8
BUSINESS OF TCPL	9
Pipelines Business	9
Regulation of the Pipeline Business	11
Energy Business	12
GENERAL	14
Employees	14
Social and Environmental Policies	14
Environmental Protection	15
RISK FACTORS	15
Environmental Risk Factors	15
Other Risk Factors	17
DIVIDENDS	17
DESCRIPTION OF CAPITAL STRUCTURE	17
Share Capital	17
Debt	18
CREDIT RATINGS	18
DBRS Limited (DBRS)	19
Moody's Investors Service, Inc. (Moody's)	19
Standard & Poor's (S&P)	19
MARKET FOR SECURITIES	20
Common Shares	20
Series U Preferred Shares and Series Y Preferred Shares	20
DIRECTORS AND OFFICERS	20
Directors	21
Board Committees	22
Officers	23
Conflicts of Interest	23
CORPORATE GOVERNANCE	24
Compliance with Canadian Governance Guidelines	24
AUDIT COMMITTEE	24
Relevant Education and Experience of Members	24
Pre-Approval Policies and Procedures	25
External Auditor Service Fees	25
INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS	26
SECURITIES OWNED BY DIRECTORS	26
COMPENSATION OF DIRECTORS	26
DIRECTOR COMPENSATION TABLE	27
RETAINERS AND FEES PAID TO DIRECTORS	27
2008 Retainers and Fees	28

Edgar Filing: TRANSCANADA PIPELINES LTD - Form 40-F

Minimum Share Ownership Guidelines	29
Share Unit Plan for Non-Employee Directors	29
COMPENSATION DISCUSSION AND ANALYSIS	29
LEGAL PROCEEDINGS AND REGULATORY ACTIONS	29
MATERIAL CONTRACTS	30
TRANSFER AGENT AND REGISTRAR	30
INTEREST OF EXPERTS	30
ADDITIONAL INFORMATION	30
GLOSSARY	31
SCHEDULE A	A-1
SCHEDULE B	B-1
SCHEDULE C	C-1
SCHEDULE D	D-1
SCHEDULE E	E-1
SCHEDULE F	F-1

TRANSCANADA PIPELINES LIMITED ii

PRESENTATION OF INFORMATION

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

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

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

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

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

FORWARD-LOOKING INFORMATION

This AIF, the documents incorporated by reference into this AIF, and other reports and filings made with the securities regulatory authorities may contain certain information that is forward-looking and is subject to important risks and uncertainties. The words *anticipate* , *expect* , *believe* ,

Edgar Filing: TRANSCANADA PIPELINES LTD - Form 40-F

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

TRANSCANADA PIPELINES LIMITED**Corporate Structure**

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

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

Date	Event
March 21, 1951	Incorporated by Special Act of Parliament as Trans-Canada Pipe Lines Limited.
April 19, 1972	Continued under the <i>Canada Corporations Act</i> by Letters Patent, which included the alteration of its capital and change of name to TransCanada PipeLines Limited.
June 1, 1979	Continued under the <i>Canada Business Corporations Act</i> .
July 2, 1998	Certificate of Arrangement issued in connection with the Plan of Arrangement with NOVA Corporation (<i>NOVA</i>) 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 <i>Canada Business Corporations Act</i> on February 25, 2003. The arrangement was approved by TCPL common shareholders on April 25, 2003 and following court approval, Articles of Arrangement were filed making the arrangement effective May 15, 2003. The common shareholders of TCPL exchanged each of their TCPL common shares for one common share of TransCanada. The debt securities and preferred shares of TCPL remained obligations and securities of TCPL. TCPL continues to hold the assets it held prior to the arrangement and continues to carry on business as the principal operating subsidiary of the TransCanada group of entities.

Intercorporate Relationships

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

TRANSCANADA PIPELINES LIMITED 2

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

GENERAL DEVELOPMENT OF THE BUSINESS

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

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

Developments in the Pipelines Business

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

2008

Pipeline Developments

- January 4 2008. The State of Alaska announced that TCPL had submitted a complete *Alaska Gasline Inducement Act* (*AGIA*) application for a license to construct the Alaska Pipeline Project and would be advancing to the public comment stage.
- February 2008. In 2005, certain subsidiaries of Calpine Corporation (*Calpine*) filed for bankruptcy protection in both Canada and the U.S. The Portland Natural Gas Transmission System (the *Portland System*) and GTNC reached agreement with Calpine for allowed unsecured claims in the Calpine bankruptcy of US\$125 million and US\$192.5 million, respectively. Creditors were to receive shares in the re-organized Calpine and these shares would be subject to

market price fluctuations as the new Calpine shares began to trade. In February 2008, the Portland System and GTNC received partial distributions of 6.1 million shares and 9.4 million shares, respectively. Subsequently, these shareholdings were sold into the market. Claims of Nova Gas Transmission Limited (*NGTL*) and Foothills Pipe Lines (South B.C.) Ltd., both wholly-owned subsidiaries of TransCanada, for \$31.6 million and \$44.4 million, respectively, were received in cash in January 2008 and were passed on to shippers on these systems.

- March 14, 2008. TransCanada Keystone Pipeline, LP (*Keystone U.S.*) received a Presidential Permit authorizing the construction, maintenance and operation of facilities at the United States and Canada border for the transportation of crude oil between the two countries. The Presidential Permit was a significant regulatory approval required to begin construction of the 3,456 kilometre (*km*) pipeline project that will transport crude oil from Alberta to markets in the United States (the *Keystone Oil Pipeline*). The Presidential Permit was issued following the issuance by the U.S. Department of State of the Final Environmental Impact Statement (*FEIS*) on January 11, 2008 for the construction of the Keystone U.S. pipeline and its Cushing extension. The FEIS stated the pipeline would result in limited adverse environmental impacts. Construction of the Keystone Oil Pipeline began in May 2008 in both Canada and the United States. Commissioning of the segment to Wood River and Patoka is expected to commence in late 2009 with commercial operations to follow in early 2010. Commissioning of the segment providing service to Cushing is expected to commence in late 2010.

- April 2008. An expansion to TCPL's natural gas transmission system in the province of Alberta (the *Alberta System*) in the Fort McMurray area, comprising a total of approximately 150 km, was placed in service on its projected on-stream date.

- July 16, 2008. TCPL announced plans to expand and extend the Keystone Oil Pipeline system and provide additional capacity in 2012 of 500,000 barrels per day (*Bbl/d*) from Western Canada to the United States Gulf Coast, near existing terminals in Port Arthur, Texas. The expansion, when completed, is expected to increase the Keystone Oil Pipeline system from 590,000 Bbl/d to approximately 1.1 million Bbl/d. Construction of the expansion facilities is expected to commence in 2010 subject to the receipt of the necessary regulatory approvals.
- September 3, 2008. TCPL acquired Bison Pipeline LLC from Northern Border Pipeline Company (*NBPL*) for US\$20 million. The assets of Bison Pipeline LLC included executed precedent agreements as well as regulatory, environmental and engineering work on the Bison Pipeline Project (*Bison*), a proposed 480 km (298 mile) pipeline from the Powder River Basin in Wyoming to the Northern Border Pipeline system in Morton County, North Dakota.
- September 8, 2008. TCPL reached a proposed agreement with Canadian Utilities Limited (*ATCO Pipelines*) to provide integrated natural gas transmission service to customers. If approved by the regulatory authorities, the two companies will combine physical assets under a single rates and services structure with a single commercial interface with customers but with each company separately managing assets within distinct operating territories in the province. TCPL continues to work with all stakeholders to finalize this agreement.
- October 29, 2008. TCPL announced that the Keystone Oil Pipeline system successfully conducted that open season for expansion and extension to the United States Gulf Coast by securing additional firm, long-term contracts totaling 380,000 Bbl/d for an average term of approximately 17 years. With these shipper commitments the Keystone Oil Pipeline system has long-term commitments for 910,000 Bbl/d for an average term of approximately 18 years. This includes commitments made by shippers to sign transportation service agreements for 35,000 Bbl/d capacity in an open season to be held in 2009. The commitments represent approximately 83 per cent of the 1.1 million Bbl/d commercial design of the system.
- December 5, 2008. The Alaska Commissioner of Revenue and Natural Resources issued the AGIA license to TCPL to advance the Alaska Pipeline Project, following on the approval by the Alaska Senate on August 1, 2008 of TCPL's application for the license. TCPL has committed under the AGIA to advance the Alaska Pipeline Project through an open season and subsequent United States Federal Energy Regulatory Commission (*FERC*) certification. TCPL has commenced the engineering, environmental, field and commercial work, and expects to conclude an open season by July 31, 2010. Under AGIA, the State of Alaska has agreed to reimburse a share of the eligible pre-construction costs to TCPL to a maximum of US\$500 million.

- TCPL agreed to increase its equity ownership in Keystone U.S. and TransCanada Keystone Pipeline Limited Partnership (*Keystone Canada*) up to 79.99 per cent from 50 per cent with ConocoPhillips equity ownership being reduced concurrently to 20.01 per cent.
- TCPL continued funding of the Mackenzie Valley Aboriginal Pipeline Limited Partnership for its participation in the Mackenzie Gas Pipeline Project, a proposed 1,200 km (746 mile) natural gas pipeline to be constructed from a point near Inuvik, Northwest Territories to the northern border of Alberta, where it is expected to connect to the Alberta System.

Regulatory Matters

- January 2008. Gas Transmission Northwest Corporation (*GTNC*), a wholly-owned subsidiary of TransCanada, filed a Stipulation and Agreement with the FERC on October 31, 2007 comprised of an uncontested settlement of all aspects of its 2006 General Rate Case. On January 7, 2008, the FERC issued an order approving the settlement. The settlement rates were effective retroactive to January 1, 2007.
- March 18, 2008. TCPL filed an application with the National Energy Board (*NEB*) to increase the interim tolls on its Canadian gas pipeline system (the *Canadian Mainline*) previously approved in December 2007. This toll increase was a result of a significant decrease in forecasted flows on the Canadian Mainline and was intended to allow TCPL to more accurately meet its 2008 revenue requirement. On March 28, 2008, the NEB approved the amended interim tolls for transportation service effective April 1, 2008.
- June 17, 2008. TCPL filed an application with the NEB to establish federal regulation for TCPL's Alberta System. The application for a certificate of public convenience and necessity and related approvals was made to recognize that TCPL's Alberta System was subject to Canadian federal jurisdiction and its operations to regulation by the NEB. An oral hearing to discuss this matter began on November 18, 2008 and concluded on November 28, 2008. A decision on the matter is expected to be issued by the end of February 2009. Currently, the provincial regulation of the Alberta System precludes TCPL from acquiring, constructing or operating facilities that transport natural gas across Alberta provincial borders. Federal regulation would enable the Alberta System to extend across provincial borders, thereby providing integrated service to Alberta and British Columbia customers, and northern natural gas producers.

TRANSCANADA PIPELINES LIMITED 4

- June, 2008. The NEB approved TCPL's application for additional pumping facilities required to expand the Canadian portion of the Keystone Oil Pipeline project from a nominal capacity of approximately 435,000 Bbl/d to 590,000 Bbl/d to accommodate volumes to be delivered to the Cushing markets, after holding an oral hearing on April 8, 2008. The hearing and decision followed on an application filed by Keystone Canada with the NEB in November 2007.
- October 10, 2008. The Alberta Utilities Commission (*AUC*) approved TCPL's application for a permit to construct the North Central Corridor expansion, at a cost of approximately \$925 million. The expansion comprises a 42-inch, 300 km (186 mile) natural gas pipeline and associated compression facilities on the northern section of the Alberta System. Construction on the project began in October 2008. The decision followed on a non-routine application filed with the Alberta Energy and Utilities Board (*EUB*) on November 20, 2007.
- December 17, 2008. The AUC approved NGTL's 2008-2009 Revenue Requirement Settlement Application as filed, in its entirety. As part of the settlement, fixed costs were established for operation, maintenance and administration costs, return on equity and income taxes. Any variances between actual costs and those agreed to in the settlement accrue to TCPL, subject to a return on equity and income tax adjustment mechanism, which accounts for variances between actual and settlement rate base and income tax assumptions. The other cost elements of the settlement are treated on a flow-through basis. The AUC also approved the 2008 Interim Rates of NGTL on a final basis for the period January 1, 2008 to December 31, 2008.

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

2007

Pipeline Developments

- February 9, 2007. TCPL received approval from the NEB to transfer a section of its Canadian Mainline transmission facilities to the Keystone Oil Pipeline project to transport crude oil from Alberta to refining centres in the U.S. Midwest and to construct and operate new oil pipeline facilities in Canada. TCPL announced in January 2007 the start of a binding open season for an expansion and extension of the proposed Keystone Oil Pipeline. The purpose of the open season was to obtain binding commitments to support the expansion of the proposed Keystone Oil Pipeline from approximately 435,000 Bbl/d to 590,000 Bbl/d and the construction of a 468 kilometre extension of the U.S.

portion of the pipeline.

- February 22, 2007. TCPL closed its acquisitions of American Natural Resources Company and ANR Storage Company (collectively, *ANR*) and acquired an additional 3.6 per cent interest in Great Lakes Gas Transmission Partnership (*Great Lakes*) from El Paso Corporation for a total of US\$3.4 billion, subject to certain post-closing adjustments, including approximately US\$491 million of assumed long-term debt. Additionally, TCPL increased its ownership in TC PipeLines, LP to 32.1 per cent in conjunction with the TC PipeLines, LP acquisition of a 46.4 per cent interest in Great Lakes. TCPL subsequently became the operator of NBPL and now operates all three TC PipeLines, LP investments. The acquisition was financed partly through an offering of 39,470,000 subscription receipts at \$38.00 per subscription receipt, which resulted in gross proceeds to TCPL of approximately \$1.725 billion including the exercise of an over-allotment option granted to the underwriters. Upon closing of the acquisition of ANR, the subscription receipts were automatically exchanged, without the payment of any additional consideration by the subscribers, on a one-to-one basis for common shares of TransCanada (*Common Shares*).
- December 2007. ConocoPhillips contributed \$207 million to acquire a 50 per cent ownership interest in the Keystone Oil Pipeline. Affiliates of TCPL will be responsible for constructing and operating the Keystone Oil Pipeline.

Regulatory Matters

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

2006

Pipeline Developments

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

Regulatory Matters

- February 2006. TCPL filed an application with the FERC for a certificate for a two-phase expansion of its existing natural gas pipeline in southern California, the North Baja system (*North Baja*) and the construction of a new lateral pipeline in California's Imperial Valley.
- April 2006. The NEB approved a negotiated settlement of the 2006 Canadian Mainline tolls which included an increase in the deemed common equity ratio to 36 per cent from 33 per cent and incentives for managing costs through fixing certain components of the revenue requirement.

- June 2006. TCPL filed an application with the NEB seeking approval to transfer a portion of TCPL's Canadian Mainline natural gas transmission facilities to the Keystone Oil Pipeline project which was approved by the NEB in February 2007. Additionally, in December 2006, TCPL filed an application with the NEB for approval to construct and operate the Canadian portion of the Keystone Oil Pipeline.

Developments in the Energy Business

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

2009

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

2008

Energy Developments

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

- February 2008. The potential anchor LNG supplier for the Cacouna LNG project (*Cacouna*) terminal in Québec announced it would no longer be pursuing the development of its LNG supply as originally planned. Although Cacouna received its primary regulatory approvals, project development has been suspended until alternate LNG supply is acquired and the North American market for LNG grows.
- April 2008. The comprehensive review of costs to complete the Bruce A Units 1 and 2 refurbishment and restart project was completed. Based on this assessment, the capital cost for the restart and refurbishment of Bruce A Units 1 and 2 is expected to be approximately \$3.4 billion, up from an original 2005 cost estimate of \$2.75 billion. TCPL's share is expected to be approximately \$1.7 billion compared to an original estimate of \$1.4 billion.
- May 12, 2008. TCPL announced that the Phoenix, Arizona based utility, Salt River Project, signed a 20 year power purchase agreement to secure 100 per cent of the output from the Coolidge Generating Station (*Coolidge*), a 575 MW simple-cycle natural gas-fired peaking power generation station currently in development to be located 72 km (45 miles) southeast of Phoenix in Coolidge, Arizona. In December 2008, the Arizona Corporation Commission granted a Certificate of Environmental Compatibility approving Coolidge. Construction is scheduled to begin in the summer of 2009, and the facility is expected to be commissioned in 2011.
- May 30, 2008. Portlands Energy Centre, a natural gas-fired combined-cycle power plant near downtown Toronto, Ontario (*Portlands Energy Centre*) went into service in simple-cycle mode capable of delivering 340 MW of power during the summer of 2008. Portlands Energy Centre, which is 50 per cent owned by TCPL, is currently under construction and is expected to be fully commissioned in combined-cycle mode in first quarter 2009 with delivery capabilities of 550 MW of power.
- July 4, 2008. Hydro-Québec Distribution notified the Régie de l'énergie that it would exercise its option to extend the suspension of all electricity generation from TCPL's 550 MW Bécancour cogeneration power plant near Trois-Rivières, Québec (*Bécancour*) throughout 2009. This followed on TCPL's agreement with Hydro-Québec Distribution to temporarily suspend all electricity generation from Bécancour during 2008. TCPL will continue to receive payments under the agreement similar to those that would have been received under the normal course of operation.
- July 9, 2008. TCPL announced that the Kibby Wind Power Project received unanimous final development plan approval from Maine's Land Use Regulation Commission. Construction on the project began in July 2008. The capital cost of the project is expected to be approximately US\$320 million with commissioning of the first phase expected to begin in fourth quarter 2009.

- August 26, 2008. TCPL completed its acquisition of the 2,480 MW Ravenswood Generating Station (*Ravenswood*) located at Queens, New York for US\$2.9 billion, subject to certain post-closing adjustments. The acquisition was completed pursuant to a membership interest and stock purchase agreement between KeySpan Corporation, KeySpan Energy Corporation and TransCanada Facility USA, Inc. dated March 31, 2008 (the *Ravenswood Agreement*) whereby TransCanada Facility USA, Inc. agreed to acquire all of the outstanding membership interests of KeySpan-Ravenswood, LLC and all of the outstanding shares of KeySpan Ravenswood Services Corp. from National Grid plc. KeySpan-Ravenswood, LLC directly or indirectly owned or controlled Ravenswood. The acquisition was financed through a combination of equity and term debt offerings, funds drawn on a newly established bridge loan facility and cash on hand (see *Financing Activities* below).
- November 22, 2008. The Carleton wind farm, the third of six phases of a wind energy project contracted by Hydro-Québec Distribution in the Gaspé Region of Québec (the *Cartier Wind Energy Project*), went into service and is capable of generating 109 MW of power.
- In fourth quarter 2008, Bruce Power completed a review of the end of life estimates for Units 3 and 4. Unit 3 is now expected to be in commercial service until 2011, which provides the benefit of nearly two additional years of generation before the unit commences an expected 36-month refurbishment period. After the refurbishment period, the end of life estimate for Unit 3 is expected to increase from the originally expected date of 2037 to 2038. In addition, Unit 4 is now expected to be in commercial service until 2016, providing nearly seven years of generation before the unit commences a similar refurbishment period, after which, the end of life estimate for Unit 4 is expected to increase from the originally expected date of 2036 to 2042.

TRANSCANADA PIPELINES LIMITED 7

Regulatory Matters

- January 11, 2008. The FERC issued its FEIS for the Broadwater LNG project (*Broadwater*). A joint venture with Shell US Gas & Power LLC, Broadwater is a proposed offshore LNG facility in Long Island Sound, New York. The FEIS confirmed project need, supported the location of the project with acknowledgement of its target market and delivery goals, and found safety and security risks to be limited and acceptable. The FEIS concluded that with adherence to federal and state permit requirements and regulations, Broadwater's proposed mitigation measures and the FERC's recommendations, the project will not result in a significant impact on the environment.
- March 24, 2008. FERC authorized the construction and operation of Broadwater, subject to the conditions reflected in the authorization. On April 10, 2008, the New York State Department of State (*NYS DOS*) determined that construction and operation of the project would not be consistent with the state's coastal zone policies. As a result of

this unfavourable decision, TCPL wrote down \$27 million after tax of costs for Broadwater that had been capitalized to March 31, 2008. On June 6, 2008, Broadwater Energy, LLC filed an appeal with the United States Secretary of Commerce on the decision of the NYSDOS asking the Secretary of Commerce to override the NYSDOS decision on the basis that the project meets the criteria for approval under the *Coastal Zone Management Act* and applicable regulations. A decision is expected in early 2009.

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

2007

Energy Developments

- June 2007. Following public hearings in 2006, the Québec government granted a provincial decree approving Cacouna. Cacouna also received federal approvals pursuant to the Canadian Environmental Assessment Act.
- September 2007. Cacouna announced that it was delaying the planned in-service date for the regasification terminal from 2010 to 2012. This delay resulted from a need to assess impacts of permit conditions, to review the facility design in light of escalating costs and to align the schedule with potential LNG supply facilities.
- November 2007. The second phase of the Cartier Wind Energy Project, the 101 MW Anse-à-Valleau wind farm, was placed into service. In addition, the Cartier Wind Energy Project began construction of a third project, the 109 MW Carleton wind farm.

2006

Energy Developments

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

Edgar Filing: TRANSCANADA PIPELINES LTD - Form 40-F

- September 2006. Portlands Energy Centre L.P., 50 per cent owned by TCPL, signed a 20-year Accelerated Clean Energy Supply contract with the Ontario Power Authority for Portlands Energy Centre.
- September 2006. Construction of Bécancour was completed and placed into service providing power to Hydro-Québec Distribution.
- November 2006. TCPL was awarded a 20-year Clean Energy Supply contract by the Ontario Power Authority to build, own and operate a 683 MW natural gas-fired power plant near the Town of Halton Hills, Ontario.
- December 2006. The Edson gas storage facility was placed in service.

Regulatory Matters

- January 2006. TCPL, on behalf of Broadwater, filed an application with the FERC for approval of the LNG regasification project to be located in Long Island Sound, New York. Coincident with the FERC process, Broadwater applied to the NYSDOS for a determination that the project is consistent with New York's coastal zone policies.
- December 2006. A public hearing on Cacouna was held in May and June of 2006 and in December 2006 the Minister of the Environment for Québec and the federal Minister of the Environment, jointly released the report of the Joint Commission on Cacouna.

TRANSCANADA PIPELINES LIMITED 8

Financing Activities

2009

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

- February 17, 2009. TCPL completed the issuance of \$300 million and \$400 million of Medium-Term Notes maturing on February 14, 2014 and February 17, 2039, respectively, and bearing interest at 5.05 per cent and 8.05 per cent, respectively. The proceeds from these notes are expected to be used to fund the Alberta System and Canadian Mainline rate bases. These notes were issued under a \$1.5 billion debt shelf prospectus filed in March, 2007.

2008

- May 5, 2008. TransCanada entered into an underwriting agreement with a syndicate of underwriters led by BMO Nesbitt Burns Inc., RBC Dominion Securities Inc., and TD Securities Inc. under which the underwriters agreed to purchase from TransCanada 30,200,000 Common Shares and sell the Common Shares to the public at a purchase price of \$36.50 per Common Share. The underwriters were also granted an over-allotment option to purchase an additional 4,530,000 Common Shares at the same price. The offering was completed on May 13, 2008 and together with the full exercise of the over-allotment option by the underwriters, 34,730,000 Common Shares were issued and resulted in gross proceeds to TCPL of approximately \$1.27 billion to be used by TCPL to partially fund acquisitions and capital projects of TCPL including, amongst others, the acquisition of Ravenswood, the construction of the Keystone Oil Pipeline, and for general corporate purposes. These Common Shares were issued under the base shelf prospectus filed in January, 2007.

- June 27, 2008. TCPL executed an agreement with a syndicate of banks for a US\$1.5 billion, committed, unsecured, one-year bridge loan facility, at a floating interest rate based on the London Interbank Offered Rate (*LIBOR*) plus 30 basis points. The facility is extendible at the option of TCPL for an additional six month term at

LIBOR plus 35 basis points. On August 25, 2008, TCPL utilized US\$255 million from this facility to fund a portion of the Ravenswood acquisition and cancelled the remainder of the commitment. At December 31, 2008, the US\$255 million remained outstanding on the facility.

- August 6, 2008. TCPL entered into an underwriting agreement with a syndicate of underwriters led by Citigroup Global Markets Inc. and J.P. Morgan Securities Inc. under which the underwriters agreed to purchase from TCPL and sell to the public US\$850 million and US\$650 million of Senior Unsecured Notes maturing on August 15, 2018 and August 15, 2038, respectively, and bearing interest at 6.5 per cent and 7.25 per cent, respectively. The offering was completed on August 11, 2008. The proceeds from these notes were used to partially fund the Ravenswood acquisition and for general corporate purposes. These notes were issued under a US\$2.5 billion debt shelf prospectus filed in September, 2007.
- August 20, 2008. TCPL completed an issuance of \$500 million of Medium-Term Notes maturing in August 2013 and bearing interest at 5.05 per cent. The proceeds from these notes were used to partially fund the Alberta System's capital program and for general corporate purposes. These notes were issued under the debt shelf prospectus filed in March, 2007.
- November 17, 2008. TransCanada entered into an underwriting agreement with a syndicate of underwriters led by RBC Dominion Securities Inc., BMO Nesbitt Burns Inc., and TD Securities Inc. under which the underwriters agreed to purchase from TransCanada 30,500,000 Common Shares and sell the Common Shares to the public at a purchase price of \$33.00 per Common Share. The underwriters were also granted an over-allotment option to purchase an additional 4,575,000 Common Shares at the same price. The offering was completed on November 25, 2008 and resulted in gross proceeds to TCPL of approximately \$1 billion to be used by TCPL to partially fund its capital projects, including the Keystone Oil Pipeline, for general corporate purposes and to repay short-term indebtedness. The syndicate of underwriters fully exercised the over-allotment option on December 5, 2008 for additional gross proceeds to TCPL of \$151 million. The Common Shares were issued under the base shelf prospectus filed in July, 2008.

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

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

BUSINESS OF TCPL

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

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

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

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

- (2) Revenues include sales of natural gas.
- (3) Revenues are attributed to countries based on country of origin of product or service.

Pipelines Business

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

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

Canada

- TCPL's Canadian Mainline is a 100 per cent owned 14,101 km (8,762 mile) natural gas transmission system in Canada that extends from the Alberta/Saskatchewan border east to the Québec/Vermont border and connects with other natural gas pipelines in Canada and the U.S.
- TCPL's Alberta System is a 100 per cent owned natural gas transmission system in Alberta gathers natural gas for use within the province and delivers it to provincial boundary points for connection with the Canadian Mainline and the Foothills System and with the natural gas pipelines of other companies. The 23,705 km (14,730 mile) system is one of the largest carriers of natural gas in North America.
- Keystone Oil Pipeline is a 3,456 km (2,147 mile) oil pipeline project currently under construction that will transport crude oil from Hardisty, Alberta to U.S. Midwest markets at Wood River and Patoka in Illinois, and to Cushing, Oklahoma. In addition, an expansion to the United States Gulf Coast is under development, which is expected to add

TRANSCANADA PIPELINES LIMITED 10

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

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

United States

- TCPL's ANR System (*ANR System*) is a 100 per cent owned 17,000 km (10,563 mile) natural gas transmission system which transports natural gas from producing fields located primarily in Texas and Oklahoma on its southwest leg and in the Gulf of Mexico and Louisiana on its southeast leg. The system extends to markets located mainly in Wisconsin, Michigan, Illinois, Ohio and Indiana. ANR's natural gas pipeline also connects with other natural gas pipelines providing access to diverse sources of North American supply, including Western Canada, and the mid-continent and Rocky Mountain supply regions, and a variety of markets in the Midwestern and northeastern U.S.
- Underground gas storage facilities owned and operated by ANR provide regulated gas storage services to customers on the ANR System and the Great Lakes Gas Transmission System (*Great Lakes System*) in upper Michigan. In 2008, ANR completed its storage enhancement project and added 14 billion cubic feet (*Bcf*) of storage.

In total, the ANR business unit operates sixteen underground natural gas storage facilities throughout the State of Michigan with total natural gas storage capacity of 250 Bcf.

- The GTN System (*GTN System*) is TCPL's 100 per cent owned natural gas transmission system which extends 2,174 km (1,351 miles) and links the Foothills System with Pacific Gas and Electric Company's California Gas Transmission System, with Williams Companies, Inc.'s Northwest Pipeline in Washington and Oregon, and with Tuscarora.
- Bison pipeline is a proposed 480 km (298 mile) pipeline from the Powder River Basin in Wyoming to the Northern Border Pipeline System in North Dakota. The Bison pipeline has shipping commitments for approximately 405 mmcf/d and is expected to be in-service in fourth quarter 2010. TCPL is continuing to work with prospective Bison shippers to advance this project.
- North Baja is TCPL's 100 per cent owned natural gas transmission system which extends 129 km (80 miles) from Ehrenberg in southwestern Arizona to a point near Ogilby, California on the California/Mexico border and connects with the Gasoducto Bajanorte natural gas pipeline system in Mexico.
- The Great Lakes System is owned 53.6 per cent by TCPL and 46.4 per cent by TC Pipelines, LP. The 3,404 km (2,115 mile) Great Lakes System connects with the Canadian Mainline at Emerson, Manitoba, and serves markets primarily in Central Canada and the Midwestern U.S. TCPL operates the Great Lakes System and effectively owns 68.5 per cent of the system through its 53.6 per cent ownership interest and its indirect ownership through its 32.1 per cent interest in TC Pipelines, LP.
- The Northern Border Pipeline System (*NBPL System*) is 50 per cent owned by TC PipeLines, LP and is a 2,250 km (1,398 mile) natural gas transmission system, which serves the U.S. Midwest from a connection with the Foothills System near Monchy, Saskatchewan. TCPL operates and effectively owns 16.1 per cent of the NBPL System through its 32.1 per cent interest in TC PipeLines, LP.

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

International

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

- TransGas is a 344 km (214 mile) natural gas pipeline system which runs from Mariquita in the central region of Colombia to Cali in the southwest of Colombia. TCPL holds a 46.5 per cent ownership interest in this pipeline.

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

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

Regulation of the Pipeline Business

Canada

CANADIAN MAINLINE, TOM AND FOOTHILLS SYSTEM

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

ALBERTA SYSTEM

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

TRANSCANADA PIPELINES LIMITED 12

requirements under the *Pipeline Act*, the construction and operation of natural gas pipelines in Alberta are subject to certain provisions of other provincial legislation such as the *Environmental Protection and Enhancement Act*.

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

KEYSTONE OIL PIPELINE

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

United States

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

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

Energy Business

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

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

TCPL owns and operates the following facilities:

- Ravenswood, located in Queens, New York, is a 2,480 MW power plant that consists of multiple units employing steam turbine, combined cycle and combustion turbine technology. Ravenswood has the capacity to serve approximately 21 per cent of New York City's peak load.
- TC Hydro, TCPL's hydroelectric facilities located in New Hampshire, Vermont and Massachusetts on the Connecticut and Deerfield Rivers consist of 13 stations and associated dams and reservoirs with a total generating capacity of 583 MW.
- Ocean State Power, a 560 MW natural gas-fired, combined-cycle facility in Burrillville, Rhode Island.
- Bécancour, a 550 MW natural gas-fired cogeneration power plant located near Trois-Rivières, Québec. The entire power output is supplied to Hydro-Québec Distribution under a 20-year power purchase contract. Steam is also sold to an industrial customer for use in commercial processes.
- Natural gas-fired cogeneration plants in Alberta at Carseland (80 MW), Redwater (40 MW), Bear Creek (80 MW) and MacKay River (165 MW).
- Grandview, a 90 MW natural gas-fired cogeneration power plant located in Saint John, New Brunswick. Under a 20-year operating lease for tolls, Irving Oil Limited receives 100 per cent of the plant's heat and electricity output.
- Cancarb, a 27 MW facility at Medicine Hat, Alberta fuelled by waste heat from TCPL's adjacent thermal carbon black facility.

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

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

- TCPL has the rights to 100 per cent of the generating capacity of the 560 MW Sundance A coal-fired power generation facility under a Power Purchase Agreement (*PPA*), which expires in 2017. TCPL also has the rights to 50 per cent of the generating capacity of the 706 MW Sundance B facility under a PPA, which expires in 2020 (*Sundance*). The Sundance facilities are located in south-central Alberta.
- The Sheerness facility, which consists of two 390 MW coal-fired thermal power generating units, is located in southeastern Alberta. TCPL has the rights to 756 MW of generating capacity from the Sheerness PPA, which expires in 2020 (*Sheerness*).

TCPL has interests in the following:

- Two generating stations, Bruce A which currently generates 1,500 MW and is expected to produce an additional 1,500 MW of power when restart of Units 1 and 2 is completed in 2010, and Bruce Power L.P. (*Bruce B*) with approximately 3,200 MW of generating capacity. Bruce Power is a partnership with generating facilities and offices located on 2,300 acres northwest of Toronto, Ontario on which are housed Bruce A and Bruce B. TCPL owns 48.9 per cent of Bruce A which has four 750 MW reactors, two of which are currently being refurbished and are expected to restart in 2010. TCPL owns 31.6 per cent of Bruce B, which has four operating reactors.
- A 60 per cent ownership in CrossAlta, which is an underground natural gas storage facility connected to the Alberta System located near Crossfield, Alberta. CrossAlta has a working natural gas capacity of 54 Bcf with a maximum deliverability capability of 480 mmcf/d.
- A 62 per cent interest in the Carleton (109 MW), Anse-à-Valleau (101 MW), and Baie-des-Sables (110 MW) wind farms, the first three phases of the Cartier Wind Energy Project, which commenced commercial operation in November 2008, November 2007 and November 2006, respectively.

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

- The Cartier Wind Energy Project consists of six wind projects in the Gaspé region of Québec contracted by Hydro-Québec Distribution representing a total of 740 MW when all six wind projects are complete. Three of the wind farms are constructed and in service as noted above and the remaining three projects are under planning and development are expected to be constructed through 2012, subject to the necessary approvals. Cartier Wind is 62 per cent owned by TCPL.
- The Portlands Energy Centre, a 550 MW high efficiency, combined-cycle natural gas generation power plant located in Toronto, Ontario is 50 per cent owned by TCPL and is under construction. The plant went into service in simple-cycle mode, capable of delivering 340 MW of electricity in the summer of 2008. It is anticipated to be fully commissioned in its combined-cycle mode, with delivery capabilities of 550 MW of power in the first quarter of 2009.
- A 683 MW natural gas-fired power plant near the town of Halton Hills, Ontario is under construction and is expected to be placed in service in the third quarter of 2010.
- The Coolidge generating station is a simple-cycle, natural gas-fired peaking power generation station under development in Coolidge, Arizona. Based on optimal operating conditions, TCPL predicts an electrical output of approximately 575 MW from this facility, designed to provide a quick response to peak power demands. The project has received its required permits, and construction is expected to commence in the third quarter of 2009 with commissioning expected in 2011. When constructed, the power output will be supplied to Salt River Project Agricultural Improvement and Power District under a 20-year power purchase contract.
- The proposed 132 MW Kibby wind power project is under construction and is expected to include 44 turbines located in Kibby and Skinner townships in Maine. Construction began in July 2008 and commissioning of the first phase is expected to begin in fourth quarter 2009.

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

TRANSCANADA PIPELINES LIMITED 14

GENERAL**Employees**

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

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

Social and Environmental Policies

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

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

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

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

Environmental Protection

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

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

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

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

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

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

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

RISK FACTORS

Environmental Risk Factors

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

TRANSCANADA PIPELINES LIMITED 16

of all future expenditures related to environmental matters due to:

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

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

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

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

At a regional level, seven western states and four Canadian provinces (British Columbia, Manitoba, Ontario and Québec) are focused on the implementation of a cap and trade program under the Western Climate Initiative (*WCI*). In the northeastern U.S., states that are members of the Regional Greenhouse Gas Initiative (*RGGI*) implemented a CO₂ cap and trade program for electricity generators effective January 1, 2009. Participants in the Midwestern Greenhouse Gas Reduction Accord, which involves six states and one province (Manitoba), are developing a regional strategy for reducing members' GHG

emissions that will include a multi sector cap and trade mechanism.

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

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

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

TRANSCANADA PIPELINES LIMITED 17

Other Risk Factors

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

DIVIDENDS

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

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

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

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

DESCRIPTION OF CAPITAL STRUCTURE

Share Capital

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

Common Shares

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

First Preferred Shares, Series U

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

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

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

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

TRANSCANADA PIPELINES LIMITED 18

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, 2008 and in 2009 up to the date of this AIF.

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

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

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

Edgar Filing: TRANSCANADA PIPELINES LTD - Form 40-F

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			
<i>Debentures</i>	A	A3	A-
<i>Medium-term Notes</i>	A	A3	A-
Junior Subordinated Notes	BBB (high)	Baa1	BBB
Preferred Shares	Pfd-2 (low)	Baa2	BBB
Commercial Paper	R-1 (low)	-	-
Trend/Rating Outlook	Stable	Stable	Stable

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

DBRS Limited (DBRS)

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

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

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

Standard & Poor's (S&P)

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

TRANSCANADA PIPELINES LIMITED 20

MARKET FOR SECURITIES

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

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

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

Common Shares

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

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

Series U Preferred Shares and Series Y Preferred Shares

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

DIRECTORS AND OFFICERS

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

Directors

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

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

Edgar Filing: TRANSCANADA PIPELINES LTD - Form 40-F

<p>Canada S. Barry Jackson Calgary, Alberta</p>	<p>Chair of the Board, TCPL since April 2005. Director, Nexen Inc. (oil and gas). Director, WestJet Airlines Ltd. Chair of Resolute Energy Inc. (oil and gas) from January 2002 to April 2005 and Chair of Deer Creek Energy Limited (oil and gas) from April 2001 to September 2005.</p>	<p>2002</p>
<p>Canada Paul L. Joskow New York, New York</p>	<p>Economist and President of the Alfred P. Sloan Foundation. On leave from his position as Professor of Economics and Management, Massachusetts Institute of Technology (MIT) where he has been on the faculty since 1972. Trustee of Yale University since July 1, 2008 and member of the Board of Overseers of the Boston Symphony Orchestra since September 2005. Director of the MIT Center for Energy and Environmental Policy Research from 1999 to 2007 and Director of National Grid plc from 2000 to 2007. Director of Exelon Corporation (energy) since July 2007. Trustee of Putnam Mutual Funds. President of the Yale University Council until July 1, 2006 and was on the Board of Directors of the Whitehead Institute of Biological Research until February 2005.</p>	<p>2004</p>
<p>United States Harold N. Kvisle Calgary, Alberta</p>	<p>President and Chief Executive Officer of TCPL since May 2003 and TCPL since May 2001. Director, Bank of Montreal.</p>	<p>2001</p>
<p>Canada</p>		

TRANSCANADA PIPELINES LIMITED 22

Name and	Place of Residence	Principal Occupation During the Five Preceding Years	Director Since
John A. MacNaughton(2), C.M.	Toronto, Ontario	Chair of the Business Development Bank of Canada and of CNSX Markets Inc. (formerly the Canadian Trading and Quotation System Inc. (stock exchange). Director, Nortel Networks Corporation and Nortel Networks Limited (the principal operating subsidiary of Nortel Networks Corporation) (technology). Appointed by the Minister of Human Resources and Social Development as Nominating Committee Chair for the new Canada Employment Insurance Financing Board in 2008. Founding President and Chief Executive Officer of the Canadian Pension Plan Investment Board from 1999 to 2005.	2006
David P. O'Brien(3)	Calgary, Alberta	Chair, EnCana Corporation (oil and gas) since April 2002 and Chair, Royal Bank of Canada since February 2004. Director, Molson Coors Brewing Company, Enerplus Resources Fund and C.D. Howe Institute. Chancellor, Concordia University and a member of the Science, Technology and Innovation Council of Canada.	2001
W. Thomas Stephens	Canada Greenwood Village, Colorado	Chair and Chief Executive Officer of Boise Cascade, LLC from November 2004 to November 30, 2008. Director, Boise Inc.	2007(4)
D. Michael G. Stewart	United States Calgary, Alberta	Director, Canadian Energy Services Inc., Pengrowth Corporation and Orleans Energy Ltd. Director of Esprit Exploration Ltd. (oil and gas) from May 2002 to September 2004; a director of Canada Southern Petroleum Ltd. from June 2003 to August 2004; Chairman and a trustee of Esprit Energy Trust (oil and gas) from August 2004 to October 2006; and a director of Creststreet Power & Income General Partner Limited, the General Partner of Creststreet Power & Income Fund L.P. (wind power) from December 2003 to February 2006.	2006

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

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

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

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

Board Committees

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

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

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

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

Officers

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

Executive Officers

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

Corporate Officers

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

Conflicts of Interest

Edgar Filing: TRANSCANADA PIPELINES LTD - Form 40-F

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

TRANSCANADA PIPELINES LIMITED 24

CORPORATE GOVERNANCE

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

Compliance with Canadian Governance Guidelines

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

AUDIT COMMITTEE

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

Relevant Education and Experience of Members

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

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

a member of the Audit Committee:

Kevin E. Benson

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

Derek H. Burney

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

Paule Gauthier

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

Paul L. Joskow

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

John A. MacNaughton

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

D. Michael G. Stewart

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

Pre-Approval Policies and Procedures

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

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

External Auditor Service Fees

Edgar Filing: TRANSCANADA PIPELINES LTD - Form 40-F

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

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

TRANSCANADA PIPELINES LIMITED 26

INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

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

SECURITIES OWNED BY DIRECTORS

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

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

- (1) The information as to shares beneficially owned or over which control or direction is exercised, not being within the knowledge of TCPL, has been furnished by each of the nominees. Except as indicated in these notes, the nominees have sole voting and dispositive power with respect to the securities listed above. As to each class of shares of TCPL, its subsidiaries and affiliates, the percentage of outstanding shares beneficially owned by any one director or nominee or by all directors and officers of TCPL as a group does not exceed 1% of the class outstanding.
- (2) The value of a deferred share unit is tied to the value of TransCanada's common shares. A deferred share unit is a bookkeeping entry, equivalent to the value of a TransCanada common share, and does not entitle the holder to voting or other shareholder rights, other than the accrual of additional deferred share units for the value of dividends. A director cannot redeem deferred share units until the director ceases to be a member of the Board. Canadian directors can then redeem their units for cash or shares while U.S. directors can only redeem their units for cash.
- (3) The shares listed include 3,500 shares held by Mr. Hawkins' wife.
- (4)

Edgar Filing: TRANSCANADA PIPELINES LTD - Form 40-F

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

- (5) Mr. Kvisle is an employee of TCPL and participates in the ESU program; he does not participate in the DSU program.
- (6) The shares listed include 500 shares held by Mr. Stewart's wife.

COMPENSATION OF DIRECTORS

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

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

TCPL's director compensation practices are designed to reflect the size and complexity of TCPL and to reinforce the emphasis we place on shareholder value by linking a portion of directors' compensation to the value of common shares. As a result,

TRANSCANADA PIPELINES LIMITED 27

directors' compensation consists of annual retainers and meeting fees paid in cash and in equity-based compensation known as deferred share units (*DSUs*).

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

DIRECTOR COMPENSATION TABLE

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

Edgar Filing: TRANSCANADA PIPELINES LTD - Form 40-F

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

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

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

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

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

RETAINERS AND FEES PAID TO DIRECTORS

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

TRANSCANADA PIPELINES LIMITED 28

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

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

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

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

2008 Retainers and Fees

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

Name	Board Retainer	Committee Retainer	Committee Chair Retainer	Board Meeting Fee	Committee Meeting Fee(1)	Travel Fee	Strategic Planning Sessions	Total Fees Paid in Cash	Total Value of DSUs Credited(2)	Total Cash & Value of DSUs Credited(3)
K.E. Benson(4)	142,000	4,500	5,500	15,000	22,500	10,500	1,500	0	201,500	201,500
D.H. Burney	142,000	9,000	n/a	15,000	16,500	10,500	1,500	0	194,500	194,500
W.K. Dobson	142,000	9,000	5,500	13,500	15,000	7,500	1,500	122,000	72,000	194,000
E.L. Draper(4)	142,000	9,000	5,500	15,000	15,000	10,500	1,500	0	198,500	198,500
P. Gauthier	142,000	9,000	n/a	15,000	16,500	9,000	1,500	51,000	142,000	193,000
K.L. Hawkins(5)	142,000	9,000	1,753	15,000	13,500	10,500	1,500	0	193,253	193,253

Edgar Filing: TRANSCANADA PIPELINES LTD - Form 40-F

S.B. Jackson(6)	360,000	0	n/a	30,000	0	3,000	3,000	0	396,000	396,000
P.L. Joskow(4)	142,000	9,000	n/a	15,000	16,500	6,000	1,500	118,000	72,000	190,000
J.A. MacNaughton	142,000	9,000	n/a	15,000	15,000	7,500	1,500	0	190,000	190,000
D.P. O'Brien	142,000	9,000	n/a	13,500	7,500	3,000	1,500	34,500	142,000	176,500
W.T. Stephens(4)(5)	142,000	9,000	3,747	15,000	13,500	10,500	1,500	123,247	72,000	195,247
D.M.G. Stewart(7)	142,000	5,254	n/a	15,000	16,500	3,000	1,500	111,254	72,000	183,254

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

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

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

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

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

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

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

Minimum Share Ownership Guidelines

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

All of the directors have achieved the minimum share ownership.

Share Unit Plan for Non-Employee Directors

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

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

COMPENSATION DISCUSSION AND ANALYSIS

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

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

according to a management services agreement between the two companies.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

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

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

TRANSCANADA PIPELINES LIMITED 30

MATERIAL CONTRACTS

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

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

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

TRANSFER AGENT AND REGISTRAR

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

INTEREST OF EXPERTS

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

ADDITIONAL INFORMATION

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

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

GLOSSARY

AcSB	Accounting Standards Board	Iroquois System	A natural gas pipeline system in New York and Connecticut
AGIA	<i>Alaska Gasline Inducement Act</i>	ISO	International Organization of Standardization
AIF	Annual Information Form of TransCanada PipeLines Limited dated February 23, 2009	Keystone Canada	TransCanada Keystone Pipeline Limited Partnership
Alberta System	A natural gas transmission system throughout the province of Alberta	Keystone Oil Pipeline	A 3,456 km (2,147 mile) oil pipeline project currently under construction that will initially transport crude oil from Hardisty, Alberta to U.S. Midwest markets at Wood River and Patoka in Illinois, and to Cushing, Oklahoma
ANR	American Natural Resources Company and ANR Storage Company	Keystone U.S.	TransCanada Keystone Pipeline, LP
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		