

TRANSCANADA PIPELINES LIMITED

TransCanada Tower 450 – First Street SW Calgary Alberta T2P 5H1 (403) 920-2000

TransCanada welcomes questions from shareholders and investors. Please contact: **David Moneta**, Director, Investor Relations at 1 (800) 361-6522 (Canada and U.S. Mainland)

Visit TransCanada's Web site at www.transcanada.com



pipe	power	people	PERFORMANCE
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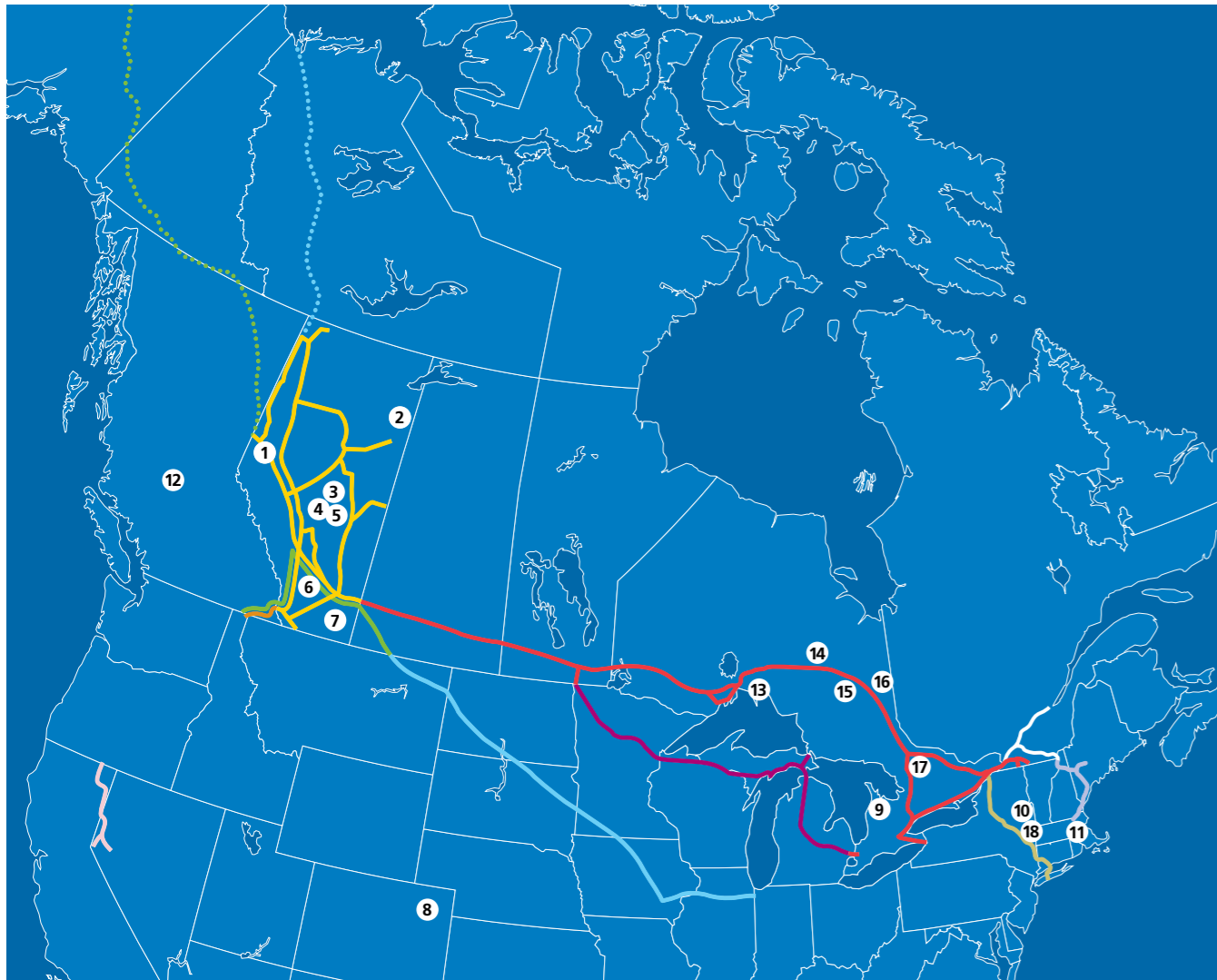


pipe	power
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Backed by \$20 billion of premium assets, TransCanada is a leading North American energy company focused on natural gas transmission and power generation. The skills and expertise of our people and our strong financial position provide us with a clear advantage in a highly competitive environment.

Our 38,000 kilometre (24,000 mile) natural gas pipeline system is one of the largest and most sophisticated in the world. It links the rich natural gas resources of the Western Canada Sedimentary Basin to markets across Canada and the United States. We are well positioned to play a key role in bringing northern gas to the growing North American marketplace.

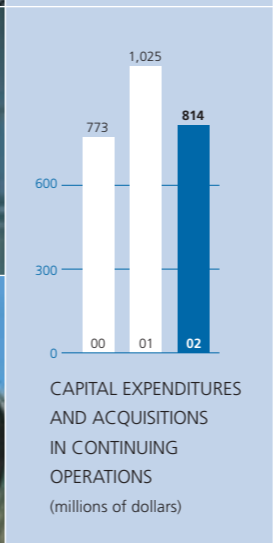
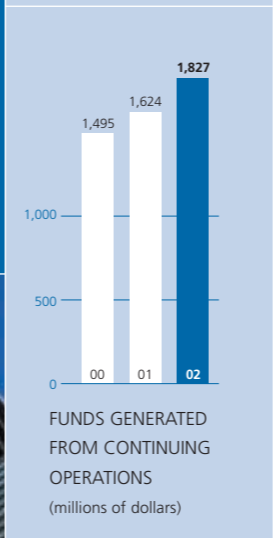
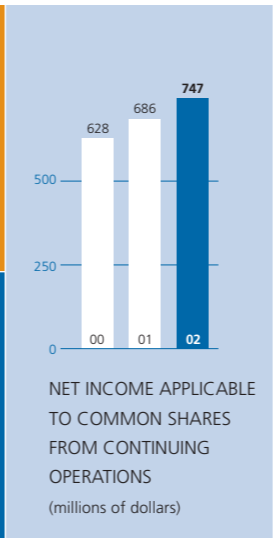
A rapidly emerging player in the North American power industry, we have interests in a growing portfolio of assets capable of producing more than 4,000 megawatts of power. Our plants utilize a diverse range of fuels and are among the most efficient on the continent. We also market electricity across Canada and the northern United States to meet the needs of a wide range of industrial clients.



NATURAL GAS TRANSMISSION	POWER GENERATION
<ul style="list-style-type: none"> — Alberta System — Canadian Mainline — BC System — Foothills Pipe Lines (50 – 74.5%) — Great Lakes Gas Transmission Limited Partnership (50%) — Trans Québec & Maritimes Pipeline Inc. (50%) — Iroquois Gas Transmission System (40.96%) — Portland Natural Gas Transmission System (33.29%) — Northern Border Pipeline Company (10% indirectly through TC PipeLines, LP) — Tuscarora Gas Transmission Company (1% directly; 16.4% indirectly through TC PipeLines, LP) Mackenzie Valley Extension (proposed by producers) Alaska Highway Pipeline (proposed by Foothills Pipe Lines) 	<ul style="list-style-type: none"> 1 Bear Creek 2 MacKay River (under construction) 3 Redwater 4 Sundance A PPA 5 Sundance B PPA (50%) 6 Carseland 7 Cancarb 8 ManChief 9 Bruce Power L.P. (31.6%) 10 Curtis Palmer 11 Ocean State 12 Williams Lake 13 Nipigon 14 Calstock 15 Kapuskasing 16 Tunis 17 North Bay 18 Castleton <p style="text-align: right; font-size: small;">TransCanada Power, L.P. (35.6%)</p> <p style="text-align: right; font-size: x-small;">Ownership 100% unless otherwise specified.</p>

STRATEGIES FOR GROWTH AND VALUE CREATION

- SUSTAIN, GROW AND OPTIMIZE OUR NORTH AMERICAN NATURAL GAS TRANSMISSION BUSINESS
- ESTABLISH A NEW REGULATED BUSINESS MODEL
- GROW OUR POWER BUSINESS
- PURSUE OPERATIONAL EXCELLENCE
- MAINTAIN AND UTILIZE OUR STRONG FINANCIAL POSITION



EXECUTIVE OFFICERS



Harold N. Kvisle
President and Chief Executive Officer

Albrecht W.A. Bellstedt, q.c.
Executive Vice-President, Law and General Counsel

Russell K. Girling
Executive Vice-President and Chief Financial Officer



Dennis J. McConaghy
Executive Vice-President, Gas Development

Alexander J. Pourbaix
Executive Vice-President, Power Development

Sarah E. Raiss
Executive Vice-President, Corporate Services

Ronald J. Turner
Executive Vice-President, Operations and Engineering

TRANSCANADA IN THE COMMUNITY

Copies of the Annual Report on Environment, Health and Safety, and Community and the Submission to the Climate Change Voluntary Challenge and Registry are available at www.transcanada.com. If you would like to receive a copy of these reports by mail, please contact:

Communications and Government Relations P.O. Box 1000, Station M, Calgary, Alberta T2P 4K5 (403) 920-2000

METRIC CONVERSION TABLE

Metric	Imperial	Factor
Kilometres	miles	0.62
Millimetres	inches	0.04
Gigajoules	million British thermal units	0.95
cubic metres*	cubic feet	35.3
degrees Celsius	degrees Fahrenheit	Multiply by 1.8, then add 32 degrees. To convert to Celsius, subtract 32 degrees, then divide by 1.8

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

FINANCIAL HIGHLIGHTS

IN 2002, TRANSCANADA DELIVERED ON ITS COMMITMENT TO MAXIMIZE SHAREHOLDER VALUE. TOTAL SHAREHOLDER RETURN, INCLUDING DIVIDENDS, WAS 21 PER CENT.

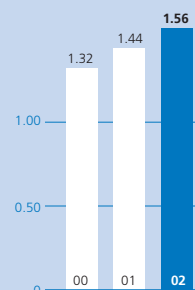
We continued to make profitable investments in our core businesses, pay down debt and reduce operating costs. Our actions resulted in an increase in earnings and cash flow and a stronger balance sheet. In January 2003, TransCanada's Board of Directors raised the quarterly dividend on the company's common shares from \$0.25 per share to \$0.27 per share, for the quarter ended March 31, 2003.

OPERATING RESULTS

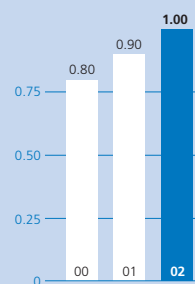
Year ended December 31	2002	2001	2000
<i>(millions of dollars)</i>			
Income Statement			
Net income/(loss) applicable to common shares			
Continuing operations	747	686	628
Discontinued operations	–	(67)	61
	747	619	689
Cash Flow Statement			
Funds generated from continuing operations	1,827	1,624	1,495
Capital expenditures and acquisitions			
in continuing operations	814	1,025	773
Balance Sheet			
Total assets	19,916	19,954	24,817
Long-term debt	8,815	9,347	9,928
Common shareholders' equity	5,747	5,426	5,211

COMMON SHARE STATISTICS

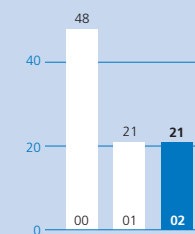
Year ended December 31	2002	2001	2000
Net income/(loss) per share – basic			
Continuing operations	\$ 1.56	\$ 1.44	\$ 1.32
Discontinued operations	–	(0.14)	0.13
	\$ 1.56	\$ 1.30	\$ 1.45
Net income per share – diluted	\$ 1.55	\$ 1.30	\$ 1.45
Dividends declared per share	\$ 1.00	\$ 0.90	\$ 0.80
Common shares outstanding <i>(millions)</i>			
Average for the year	478.3	475.8	474.6
End of year	479.5	476.6	474.9



NET INCOME PER COMMON SHARE FROM CONTINUING OPERATIONS – BASIC (dollars)



DIVIDENDS DECLARED PER COMMON SHARE (dollars)



TOTAL SHAREHOLDER RETURN (per cent)

CHAIRMAN'S MESSAGE



2002 WAS A YEAR IN WHICH CORPORATE GOVERNANCE ROSE TO NEW PROMINENCE IN THE EYES OF INVESTORS.

We are pleased to see governance recognized as a significant factor in determining a company's success. However, we are disappointed that the actions of a highly visible few have resulted in widespread distrust of our corporate leaders and a belief that ethics and integrity must be enforced.

TransCanada takes this issue very seriously. We are proud to have been recognized for our leadership in corporate governance. The Board and management have long been committed to achieving the highest standards of business ethics and governance, consistently meeting, and exceeding, the Toronto Stock Exchange's Guidelines for Corporate Governance. Further, TransCanada already meets most of the new requirements of the Sarbanes-Oxley Act and the proposed stock exchange guidelines.

At TransCanada, we are genuinely motivated by the desire to do the right thing in the interests of our shareholders. We are gratified that our commitment to sound ethical practices contributes directly to enhancing TransCanada's reputation, and ultimately, its value to shareholders. By setting a high standard of honesty, fairness and integrity, TransCanada, along with its peers, hopes to restore respect for the business community.

The management and employees of TransCanada are deserving of our recognition for their commitment to living TransCanada's values and for their work in delivering strong financial and operating performance. In January 2003, on the strength and sustainability of TransCanada's earnings in 2002, the Board was able to raise the dividend for the third consecutive year. We applaud your efforts and thank you for your continued commitment to TransCanada.

I thank my fellow Directors for their hard work and ongoing dedication to TransCanada. Ron Coleman will be retiring from the Board at our shareholder meeting in 2003. He has served with distinction for many years on the boards of NOVA Corporation and TransCanada and we thank him for his valuable contribution. We also welcome Barry Jackson, Chairman of Resolute Energy Inc. and Deer Creek Energy Limited, and a Director of Nexen Inc., who was appointed to the Board in December 2002.

On behalf of the Board of Directors,

A handwritten signature in blue ink that reads "R. F. Haskayne". The signature is fluid and cursive.

Richard F. Haskayne
Chairman

LETTER TO SHAREHOLDERS

IN 2002, TRANSCANADA MAINTAINED ITS LEADERSHIP POSITION IN THE NORTH AMERICAN NATURAL GAS TRANSMISSION BUSINESS AND CONTINUED ITS DISCIPLINED, VALUE-CREATING GROWTH IN POWER.

TransCanada delivered another year of strong financial performance with increases in earnings and operating cash flow. We continued to strengthen our balance sheet and liquidity position. In January 2003, TransCanada's Board of Directors raised the dividend on common shares for the third consecutive year. The quarterly dividend was increased by eight per cent to \$0.27 per share for the quarter ending March 31, 2003.

We accomplished this against a backdrop of challenge and change within the North American energy industry. Our achievements are testament to the dedication and commitment of the people of TransCanada. Our expertise, experience and disciplined approach to value creation make TransCanada the strongest team in the business and I'm proud to be part of that team. I thank all employees for their contributions to our continuing success.

STRATEGY AND FOCUS

Our achievements are clear evidence that the strategic direction we established in 2000 is working exceptionally well. While we have refined our key strategies to keep pace with developments in the rapidly changing external environment, the five core components have remained consistent.

1. Sustain, Grow and Optimize Our North American Natural Gas Transmission Business

In 2002, we substantially completed the Westpath expansion project on the Alberta and BC systems to serve growing markets in California and the Pacific Northwest. This project marked the first field installation and testing of X100 steel line pipe – the highest strength large diameter line pipe in use worldwide. Throughout the year, we continued our efforts to optimize all aspects of our wholly-owned pipelines, which together comprise the largest single natural gas transmission system in North America.

We also acquired a general partnership interest in Northern Border Partners, L.P., which owns a 70 per cent interest in Northern Border Pipeline Company. We consider Northern Border to be one of the preferred routes to move gas from the Northern frontier to midwestern markets.



TOTAL SHAREHOLDER RETURN

including dividends, was 21 per cent in each of the last two years and 48 per cent in 2000.

OUR STRENGTHS

are our premium assets, the experience and expertise of our people and our strong financial position.

OUR GOAL

is to be one of the most profitable, competitive, reliable providers of wholesale natural gas transportation and electric power in North America.

OUR PIPELINE BUSINESS

is focused on developing the infrastructure required to link future supply sources with growing demand.

The projected growth of North American natural gas demand, combined with the potential to acquire significant assets as competitors seek to restore their balance sheets, create attractive opportunities for TransCanada.

On the supply side, growth is expected from a number of traditional sources including the Western Canada Sedimentary Basin (WCSB) and the Gulf Coast. However, even optimistic assessments of future supply from these basins will not meet the anticipated growth in demand. We strongly believe northern gas and offshore liquefied natural gas will be required by the end of the decade.

In the near term, our emphasis will be on connecting new supply from the WCSB to our Alberta System. We will also expand and extend our long-haul delivery systems as appropriate and look to increase our ownership in partially-owned pipeline systems.

Over the long term we will move forward on northern development. We will also seek opportunities to work closely with producers and regional stakeholders to build the facilities necessary for the importation of liquefied natural gas.

TransCanada supports the development of both the Mackenzie Valley and Alaska Highway pipelines. At this point in time, we expect the Mackenzie Valley pipeline to be the first to proceed. Our high capacity connections from the WCSB to premier North American markets will enable us to move northern gas when the time is right. Our many years of experience in constructing and operating large diameter natural gas pipeline systems in cold weather, combined with our solid reputation for safety and reliability, are significant competitive advantages.

2. Establish a New Regulated Business Model

On the regulatory front, 2002 proved to be a challenging year. The National Energy Board's (NEB) decision on the Canadian Mainline Fair Return application – and its subsequent denial of TransCanada's request to review this decision – was disappointing. In our view, the ruling does not recognize the long-term business risks of the Canadian Mainline.

In February 2003, we reached a one-year settlement regarding the 2003 revenue requirement for the Alberta System. The settlement, which was the result of a consultative process that included producers, industrial users, consumer groups, marketers, and export groups, was significantly influenced by the NEB decision on the Fair Return application.

The issues TransCanada and our stakeholders face are difficult to address within a single negotiated settlement or regulatory proceeding. However, we have established a new level of dialogue with our customers and we remain optimistic that future negotiations will lead to acceptable outcomes for both TransCanada and our customers. Our goal is to establish a framework that provides flexible, cost-competitive services and allows us to earn a fair risk-adjusted return.

3. Grow Our Power Business

In a year of downturn for the power industry, TransCanada's power business produced solid results. In 2002:

- We started operations at the Redwater and Carseland power facilities and continued construction of the Bear Creek and MacKay River power plants in Alberta
- We acquired the ManChief power plant, a 300 megawatt facility in Colorado, and
- We announced our acquisition of a 31.6 per cent interest in Bruce Power L.P., the tenant under a lease on the Bruce nuclear power facility in Ontario. This acquisition was completed in mid-February 2003.

The current state of the power industry provides both opportunities and challenges for TransCanada. While the pace of plant construction in North America has slowed, we anticipate a number of quality acquisition opportunities in the coming year, together with niche development opportunities where we can leverage our expertise in cogeneration. We will grow our power portfolio by focusing on low-risk opportunities in markets we know. We will apply business models that benefit from, and support, our strong balance sheet. We will use power marketing to optimize the value of our assets and create stable and predictable income and cash flow.

4. Pursue Operational Excellence

Over the last three years we have achieved significant and sustainable operating cost savings, which, over the longer term, largely accrue to the benefit of our customers. We have also improved the quality and timeliness of customer service. Our objectives are to:

- Be the most efficient operator of North American pipe and power assets
- Provide the right services at the lowest possible cost
- Invest our capital in the right things at the right time, and
- Be responsive to our customers.

We relentlessly pursue our commitment to an operational excellence business model, recognizing that our customers count on us to deliver gas and generate power in a low-cost, safe and reliable manner.

OUR POWER PORTFOLIO

now includes interests in more than 4,000 megawatts of generating capacity located in some of the best markets in North America.

TRANSCANADA STRIVES

to deliver a combination of quality, price and ease of doing business that no peer can match.

WE ARE FOCUSED

on disciplined management
and growth of our natural
gas transmission and
power businesses.

5. Maintain and Utilize Our Strong Financial Position

TransCanada's financial position strengthened during 2002. Today, our balance sheet is stronger than it has been in the past 15 years. Over the last three years, our strong cash flow, together with the proceeds from the sale of non-core assets have allowed us to:

- Invest more than \$2.5 billion in our core businesses, and
- Retire more than \$4 billion in term debt and preferred securities.

We expect to generate substantial operating cash flow in 2003 and beyond. Our strong discretionary cash position means we are well positioned for growth and value creation.

LOOKING AHEAD

In 2003, we will maintain our focus on our core strategies with an emphasis on well planned, well executed growth that creates value for our shareholders without compromising our financial strength.

TransCanada is poised to capture opportunities and create value in a business environment that has challenged many of our competitors. We are driven by shareholder value rather than the size of our asset base – we measure success in terms of profitability, value creation and long-term sustainability.

TransCanada has been participating in North American energy markets for more than 50 years – we're in this for the long haul. We'll keep this firmly in mind as we evaluate the opportunities and deal with the challenges of 2003.



Harold N. Kvisle

President and Chief Executive Officer

February 25, 2003