

## ACCOUNTING CHANGES

### *Non-Monetary Transactions*

Effective for non-monetary transactions initiated in periods beginning on or after January 1, 2006, the new Handbook Section 3831 "Non-Monetary Transactions" requires all non-monetary transactions to be measured at fair value, subject to certain exceptions. Commercial substance replaces culmination of the earnings process as the test for fair value measurement and is a function of the cash flows expected from the exchanged assets. Adopting the provisions of this standard in 2006 did not have an impact on the Company's consolidated financial statements.

### *Financial Instruments – Recognition and Measurement*

Effective for interim and annual financial statements beginning on or after October 1, 2006, the new Handbook Section 3855 "Financial Instruments – Recognition and Measurement" prescribes that all financial instruments within the scope of this standard, including derivatives, be included on a company's balance sheet. Contracts that can be settled by receipt or delivery of a commodity will also be included in the scope of the section. These financial instruments must be measured, either at their fair value or, in limited circumstances when fair value may not be considered the most relevant measurement method, at cost or amortized cost. It also specifies when gains and losses as a result of changes in fair value are to be recognized in the income statement. This new Handbook section will be adopted by the Company as of January 1, 2007 on a prospective basis. TransCanada does not expect this new requirement to have a significant impact on the Company's consolidated financial statements.

### *Hedges*

Effective for interim and annual financial statements for fiscal years beginning on or after October 1, 2006, the new Handbook Section 3865 "Hedges" specifies the circumstances under which hedge accounting is permissible, how hedge accounting may be performed, and where the impacts should be recorded. The provisions of this standard introduce three specific types of hedging relationships: fair value hedges, cash flow hedges and hedges of a net investment in self-sustaining foreign operations. This new Handbook section will be adopted by the Company as of January 1, 2007 on a prospective basis. TransCanada does not expect this new requirement to have a significant impact on the Company's consolidated financial statements.

### *Comprehensive Income*

Effective for interim and annual financial statements for fiscal years beginning on or after October 1, 2006, the new Handbook Section 1530 "Comprehensive Income" requires that an enterprise present comprehensive income and its components in a separate financial statement that is displayed with the same prominence as other financial statements. This Section introduces a new requirement to present certain gains and losses temporarily outside net income. This Handbook section will be adopted by the Company as of January 1, 2007 on a prospective basis. Beginning first quarter 2007, TransCanada's financial statements will include a Statement of Comprehensive Income and a Statement of Accumulated Comprehensive Income.