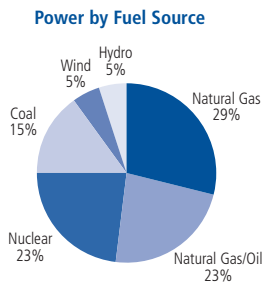


Energy Assets

TransCanada's Energy business has grown from 754 megawatts (MW) in 1999 to more than 10,900 MW in 2008. The Company's diverse power generation portfolio of primarily low-cost, baseload or long-term contracted facilities comprises a total of 19 plants in Alberta, Eastern Canada, New England, and New York City. The accompanying graph illustrates each fuel source as a percentage of the Company's overall Energy portfolio:



TransCanada has developed a significant non-regulated natural gas storage business in Alberta where the Company owns or has rights to 120 Bcf or approximately one-third of the natural gas storage capacity in the province.

Opportunities and developments in the Company's Pipelines and Energy businesses are discussed further in the "Pipelines" and "Energy" sections of this MD&A.

TRANSCANADA'S STRATEGY

TransCanada's vision is to be the leading energy infrastructure company in North America with a strong focus on pipelines and power generation opportunities located in regions where it has or can develop significant competitive advantage. Since 2000, TransCanada's key strategies continue to evolve with the Company's growth and development and its changing business environment. TransCanada's corporate strategy integrates five fundamental value-creating activities:

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

These strategies are defined by an integrated set of activities and performance objectives:

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

TransCanada relies on a low-risk business model to maximize the full-life value of existing assets and positions that generate predictable, sustainable streams of cash flows and earnings. In the Company's Pipelines business, the natural gas pipeline network connects traditional and emerging basins to growing markets offering effective service and competitive rates. TransCanada's Energy business supplies growing power markets through long-term power purchase agreements, and low-cost baseload generation. The Company's activities in gas, nuclear, wind and hydro energy sources demonstrate its commitment to a sustainable energy future. TransCanada continues to make its long-term commercial and physical asset operations a priority. The Company attempts to maximize the life and value of its assets by focusing on sustainable business initiatives derived from engaging in market and regulatory developments, combined with an accretive capital investment program.

Cultivate a focused portfolio of high quality development options

The Company's core western and eastern regions are the primary focus of growth initiatives in the Pipelines and Energy businesses. Consideration is given to new markets with good fundamentals where TransCanada has or can develop competitive strengths. There is a continued focus on low-cost, baseload power assets as well as on power and natural gas storage assets supported by firm, long-term contracts with reputable counterparties. Greenfield development and acquisition of power generation, power transmission and natural gas storage are considered if they meet the Company's investment standards. Greenfield and brownfield pipeline projects are being pursued to diversify the Pipelines business and add incremental value to existing assets. Key areas of focus include greenfield development options to connect the Company's natural gas pipelines to northern gas reserves and emerging Canadian and U.S. shale gas supplies, and transporting crude oil from the Alberta oil sands. Other possible growth opportunities include acquiring natural gas and

oil transmission assets that complement TransCanada's existing assets, acquiring partners' interests in associated pipelines and acquiring stand-alone transmission enterprises in new regions of North America.

Commercially develop and physically execute new asset investment programs

TransCanada's current \$18 billion capital program is expected to begin generating revenue over the next four years beginning in 2009. The Company is committed to completing the projects in its capital programs on time and on budget to deliver service to its customers and returns to its shareholders. Its large portfolio of projects is characterized by highly contracted, long-term revenue streams and limited exposure to capital cost risks. These are key features of TransCanada's model for managing construction risks and improving the return realized from new investment programs. This strategy will be applied to Pipelines and Energy growth opportunities that address North America's emerging energy infrastructure needs.

Maximize TransCanada's competitive strengths

TransCanada will use its competitive strengths to achieve responsible, profitable operations and growth. In the Pipelines and Energy infrastructure businesses, size and scale of operations must be large enough to compete effectively and offer recognized value to customers. The Company believes its competitive strengths include the discipline it applies in operations, governance and project, financial and risk management, and its ability to obtain capital at suitable terms. TransCanada strives to provide customers with safe, low-cost, reliable and responsible service by such means as improved efficiencies, operational reliability and enhanced environmental and safety performance. The Company also strives to maintain constructive relationships with its key stakeholder groups. Utilizing these strengths is the responsibility of all employees, and all employees contribute to the success of the Company. To maximize the quality, capability and contribution of the Company's employees, management encourages and supports its employees' innovative thinking, development and leadership.

Maximize TransCanada's financial strength and reputation

TransCanada continues to value its reputation for financial strength based on a history of predictable, growing earnings and cash flow. The Company continues to communicate its financial performance to current and prospective debt and equity holders, while making its management of risks transparent. TransCanada strives to maintain access to low-cost capital in all market environments to enable it to capture growth opportunities and improve its financial performance.