



# Corporate Responsibility Report

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## TransCanada: providing North America's energy infrastructure

Each day, TransCanada moves approximately 20 per cent of North America's natural gas through its pipeline network from almost every gas basin on the continent. We have provided safe and reliable delivery of natural gas for the past 50 years. More recently, we entered the oil pipeline business and created another platform for growth.

TransCanada's network of wholly-owned pipelines is more than 59,000 kilometres (36,500 miles) in length. We are one of the largest natural [gas storage](#) providers in North America, with approximately 355 bcf of storage capacity.

We are pursuing two proposed [liquefied natural gas](#) terminals which together would be capable of [re-gasifying](#) a combined total of 1.5 bcf/d of natural gas for delivery into the eastern Canadian and north eastern U.S. markets.

We are also an independent power producer, and own, control or are developing approximately 8,300 megawatts of power generation in Canada and the U.S. Our diversified power portfolio includes nuclear, natural gas, coal, hydro and wind generation.

Our goal is to become the leading energy infrastructure company in North America, with a strong focus on pipelines and power generation opportunities located in regions where we enjoy significant competitive advantages.

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## Why we publish a report on corporate responsibility

We are proud of our legacy of responsible corporate behaviour. We want to share that story as another way of furthering the sense of trust and mutual benefit that already exists between our company and our stakeholders across North America.

We think our record is a very good one. This is reinforced by our continual presence on the Dow Jones Sustainability Index.

Nonetheless, there are times when things may not go as expected. Those events are a disappointment to us as well as to our stakeholders. We learn from such incidents, work toward improving our practices and to become even more vigilant about the manner in which we go about our day-to-day business. We believe we make more progress on the road of continuous improvement each year; certainly it is our intention to do so.

Continuous improvement is part of the responsibility we owe to all of our stakeholders. This report on corporate responsibility enables us to address that obligation, share our progress with you, and spur ourselves to greater achievement and better performance in the years ahead.

## What you'll find in the report

We have organized the report according to the customary division of corporate responsibility reports into sections on business, environmental, and human resource issues. Within each section, we have provided a high-level, cross-functional discussion of the policies, procedures and everyday practices we follow in addressing the needs of our stakeholders, the protection of the environment, and the management of our business. Additional information is available through hyper-links.

The report documents our practical accomplishments and challenges from 2007. It offers a snapshot of the issues we face, how we meet them, and what we plan to do about them in the future. Within each section of the report, you will find links to specific examples (Our Values in Action) of how our employees performed their roles throughout the year.

In preparing this document, we have been guided by several of the emerging standards in reporting on corporate responsibility. Our approach is consistent with the intent of such standards. We feel this is appropriate given the high degree of variability of reporting methods among corporations. We have also incorporated input we solicited from Canadian Business for Social Responsibility. Finally, we must note that the statistical content of the report covers assets that TransCanada operated in North America in 2007. Occasionally, the text of the report refers to 2008 events that are related to 2007 initiatives. Unless otherwise noted, all currency figures are expressed in Canadian dollars.

If you have any questions for us, or suggestions, please contact us at [communications@transcanada.com](mailto:communications@transcanada.com). We welcome your comments.

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## A message from Hal Kvisle, TransCanada's CEO

Can a large company undergo a tremendous growth spurt, yet manage its existing assets and all of that new growth in a responsible manner?

Yes— “responsible growth” aptly describes TransCanada's path in 2007.

The year has been marked by significant strategic acquisitions and new developments. We expanded our natural gas pipeline network by more than 25 per cent through the [ANR acquisition](#), and became one of North America's largest natural gas storage operators. In the process, we gained 45 per cent more employees. There were equally exciting developments on the energy side of our business. We own, control or are developing approximately 8,300 megawatts of power generation in Canada and the U.S. These are just some of the many elements of our growth in 2007 and early 2008. Never before have we had such a diverse and attractive portfolio of projects and investment opportunities.

With such wonderful growth comes greater responsibility. Responsibility to our investors; to our many existing and new employees; to the contractors who work diligently with us; to the regulators across the continent who scrutinize our proposals; and to the thousands of residents of communities located near our pipelines and power plants. And then there is our responsibility to the environment. We have always worked hard to ensure environmental sustainability wherever we operate, but naturally the challenge grows along with greater geographical reach. Throughout 2007, we have been acutely aware of our deepening obligation to meet the future with integrity and principled action on all fronts.

In this report on corporate responsibility, we refer again to our day-to-day activities as “our values in action”. That's how we see our jobs. All of us work within a well-understood culture of values. That culture is so ingrained in us that we quite naturally try to complete every task with the right blend of competence and caring.

You see that face no matter where you turn in TransCanada. You see it in the Code of Ethics that prescribes our behaviour from the Board of Directors and Executive Leadership Team on down. You see it in our insistence that biodegradable hydraulic oil be used in all equipment operated near a river or lake. You see it in our support of Quebec's AirMedic Programme des enfants which provides free emergency transportation of pediatric patients. TransCanada may be in business to reward our investors, but we believe in ethical behaviour in our search for financial success.

Our opportunities and expansions in 2007 and early 2008 were not without disappointing moments. Some disappointments – we re-evaluated the Cacouna LNG import project from a timing, supply and cost perspective; we were disappointed to learn that New York State made a negative decision about the Broadwater Energy project; we experienced a 4.4 per cent voluntary turnover rate and though this is low for industry average, it is greater than what we have experienced in recent years.

We make no claim to being unique or perfect. Many other companies take their responsibilities to the wider community just as seriously as we do. We too are committed to continuous improvement in everything we do.

That is, in fact, the key message I would like to leave you with this year. At TransCanada, we not only take pride in our accomplishments, we also look upon our disappointments as lessons we can learn from. Please keep that in mind as you read this report on responsibility, and every succeeding one that we publish. I think you'll find that we try hard to be honest about what we do, keep our promises, and improve our performance with each passing year. In short, we are a responsible company that you can rely on.

Hal Kvisle  
President and CEO  
June 2008

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## Responsibility to our stakeholders

While regulators may issue permits for new projects, local [stakeholders](#) are a significant component of getting the permission needed to build and operate them.

At TransCanada, we take time to learn about the communities where our employees will be working and living. In addition to acknowledging local concerns, we provide information on our activities throughout the life of a facility. This allows us to develop projects in ways that reflect community needs as well as our own.

This is never more important than when cultural differences are involved. Because so many of our projects are near Aboriginal or Native American lands, we continue to refine a company-wide framework for managing the strong relationships we enjoy with people of native ancestry.

Based on the principles of our Aboriginal Policy the framework focuses on recognizing constitutional rights (rights of the First Nations, Métis and Inuit) supporting education, creating employment, fostering enterprise, and incorporating [traditional knowledge](#) into environmental assessments. This results in solid relationships of understanding, trust and respect that recognize and serve the interests of our company and our neighbours.

## The importance of every relationship

Our business is built on solid relationships with our stakeholders. They include our shareholders, customers, community residents, landowners, Aboriginal peoples, regulators, governments, environmental organizations, industry peers, partners, suppliers, and many others.

We engage our stakeholders in four main ways:

- Implementing comprehensive consultation programs;
- Providing a rewarding and respectful workplace;
- Aiding in the well-being of our employees and others with whom we come into contact; and
- Investing in the communities where we live and work.

Each group of stakeholders influences TransCanada's strategy and performance. By treating all of them respectfully, we build the foundation needed to attract and retain good employees, plan and develop new projects, and sustain broadly based community initiatives for positive social change.

## Consulting with stakeholders

Consultation about projects may involve one-on-one discussions, public presentations, or open houses with affected stakeholders. We supplement these face-to-face meetings with written materials and other forms of communication such as fact sheets, brochures, websites, e-mail, and toll-free telephone lines. We respect the culture and language of stakeholders. Our goal is to share information about our plans and activities while receiving a clear indication of stakeholder views.

Learn more about our consultation efforts on specific major projects:

- Keystone Pipeline Page 25
- Palomar Pipeline Project Page 25
- North Central Corridor Pipeline Project Page 26
- Kibby Wind Power Project Page 26
- Cold Springs Natural Gas Storage Project Page 26

A special consideration applies in Canada when it comes to consultation with Aboriginal communities. The Canadian Supreme Court has determined that the Crown – federal and provincial – must consult when it has actual or constructive knowledge of an Aboriginal or treaty right that might be adversely affected by its contemplated conduct. For its part, our industry has a regulatory obligation to consult with potentially affected Aboriginal communities to identify and address concerns related to an application for a project.

As a result, we continue to hold discussions with governments to promote consultation requirements as a high priority within Ministries. TransCanada works cooperatively and proactively with First Nations and all levels of government to confirm that consultation meets the necessary regulatory requirements. Inadequate, incomplete or delays in consultation can create consequences or delays in regulatory permitting and approvals.

In keeping with our Aboriginal policy, TransCanada respects the legal and constitutional rights of Aboriginal peoples and recognizes that its relationships with Aboriginal peoples are separate and different from that of the Crown.

Read more about TransCanada's relationship with Aboriginal and Native American communities:

- Aboriginal/ Native American relations Page 21
- Committed to Aboriginal employment and capacity building Page 22
- Strengthening business relationships with Aboriginal suppliers Page 23

## Better communications through integrated awareness

TransCanada's Integrated Public Awareness Program facilitates consistent, ongoing communication with key community stakeholders. This program is a vital component of our overall consultation effort. Its objectives are to:

- Inform landowners and key community representatives about our facilities and activities in order to promote safety;
- Protect or minimize effects on the environment;
- Protect company facilities from third-party damage; and
- Provide an opportunity for ongoing public awareness.

The program includes the mailing of brochures to landowners, contractors, municipal officials, and emergency response agencies. In addition, it incorporates visits with landowners, contractors, emergency response agencies, municipal officials and Aboriginal community residents, and participation in trade shows.

## Addressing the needs of landowners

With more than 59,000 kilometres of pipeline that potentially affect more than 55,000 landowners, TransCanada has adopted a set of principles that govern our dealings with these important stakeholders.

The principles are based on:

- Trust, fairness and respect;
- Aiding in the safety of the public and our facilities;
- Improving our management practices; and
- Acting in a socially responsible manner with respect to land and landowners throughout the project life cycle (business development, project design, construction, operations and decommissioning).

In 2007, we continued to enhance our approach to dealing with the interests of landowners in several ways:

- As a member of the Canadian Energy Pipeline Association (CEPA), TransCanada is participating actively in the Land Matters Consultation Initiative (LMCI) sponsored by the National Energy Board (NEB). CEPA members and landowner surface rights groups are coming together under this initiative to address issues such as:
  - Company interactions with landowners;

- Improving the accessibility of the NEB processes; and
- Pipeline decommissioning – financial and physical issues.

The process is expected to last well into 2009.

- TransCanada is an active participant in a survey of directly affected landowners that is being conducted by Ipsos-Reid on behalf of CEPA. The survey seeks to ascertain landowner knowledge, concerns and opinions of the pipeline industry, pipeline companies, and regulators.
- The land group is working to enhance our landowner data management system that will aid in meeting regulatory requirements concerning the protection of personal information and integrated public awareness.

## Positive changes for our growing workforce

### Unprecedented staff growth

The tremendous growth of the company in 2007 added 45 per cent more staff to our workforce. TransCanada now has about 3,600 employees across Canada, the U.S. and Mexico.

While this growth creates opportunities for our employees, it also creates challenges for the company because we are operating in a tight labour market with an aging workforce. By 2010, the proportion of our workforce with fewer than five years of service is expected to double; by 2012, 20 per cent of our workforce will be eligible to retire with unreduced pensions. These trends are counter-balanced, at least to some extent, by TransCanada's excellent rate of employee retention.

Here's a snapshot of the challenges we see ahead:

- Recruiting approximately 500 employees per year in a competitive market for talent;
- Retaining and capitalizing on talent – ability to develop and deploy internal resources, and provide career development opportunities;
- Obtaining specialized skills and experience for new projects;
- Aligning and enhancing people and team performance – in particular transitioning, on-boarding and managing a growing number of new employees to the company;
- Equipping, engaging and managing a more diverse, geographically distributed, multi-generational workforce with different needs and preferences; and
- Communicating effectively to ensure employees understand our vision, strategies, values, objectives, industry, business processes, key projects, programs, policies and practices, and our growing organization.

## Well-positioned for today and tomorrow

Our employees are the backbone of our organization, so we are determined to provide them with an environment that not only entices them to join our company but encourages them to stay and develop to their fullest potential.

To address the changing character of our workforce, we have developed a talent resource planning process that includes forecasting, demographic analytics, workforce segmentation, and the development of strategies for critical skills and positions.

In addition we are continuing to enhance our recruitment and hiring practices, including the development of an employment brand that will communicate a value proposition to potential employees considering a career with TransCanada.

In 2007, we initiated a retirement risk assessment of our field workforce, and made recommendations that included

enhancements to our flexible work arrangements to support alternate arrangements for employees nearing retirement.

We have formal on-boarding processes and training for new employees and new leaders. We launched an in-depth leadership development program for all senior leaders in 2007 continuing to cascade through all leaders in 2008. We have significantly improved our succession planning processes and cross-functional movement of our employees to further their development plans.

## Putting greater emphasis on workforce diversity

Fostering a respectful workplace that supports diversity and inclusiveness is important to our future success. This increases individual and team productivity, and contributes to employee engagement and alignment with corporate values. In Canada, we:

- Built relationships with outreach agencies that have job-ready clients;
- Reviewed our diversity plan and consulted with TransCanada employees on diversity and employment equity;
- Rolled out mandatory diversity training to TransCanada employees;
- Closed gaps compared to census availability for representation of the designated groups of women and visible minorities in our company; and
- Continued supporting a number of diversity initiatives and programs both inside the company and with external groups.

In 2008 we will be implementing a similar strategy in the U.S.

The Inspire Network (see page 21) is one way in which TransCanada supports women within the company.

## Greater value, choice and flexibility

In 2007, TransCanada conducted a corporate-wide rewards survey to prioritize compensation, benefits, pension and employment practices. As a result, we provided greater flexibility in meeting individual needs and preferences including:

- Retirement Savings Plan provides a seven per cent savings option as an alternative to the Pension plan, for employees with less than 10 years of continuous service;
- Flexible Cash Allowance for personal needs such as fitness, parking, transportation, childcare etc, for all employees excluding director and executive levels;
- Vacation purchase up to a maximum of five days per year; and
- Designated Time Off of an additional three dedicated days per year for Canadian employees in addition to Flex Time off (with the exception of fixed-rate employees). U.S. employees receive Personal Time Off.

## Health and safety

The health and safety of the public, our employees and our contractors is paramount. We greatly regret all accidents and work conscientiously to anticipate and minimize all hazards in the field and in the office. We do this through:

- Thorough technical training;
- Articulation of clear role descriptions and accountabilities;
- Pre-activity planning;
- Site-specific risk assessment; and
- A universal obligation to speak out about safety concerns.

We offer all employees the opportunity to participate in our Safety 24/7 program and encourage them and their families to apply the same standards in their personal lives.

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Read more our Safety 24/7 initiatives in 2007 on page 24.

Comprehensive emergency response planning and awareness helps to protect the public from the hazards inherent in pipeline infrastructure and power generation plants.

The highlights of our 2007 safety program include:

- Introduced a program to influence key contractor safety programs;
- Maintained focus on near-hit reporting;
- Developed and delivered a training presentation on eye injuries;
- Produced a series of four safety videos to increase employee awareness in areas of slips, trips and falls, ladder safety, tool safety, personal protective equipment, and driving safety.

## Checking on our Health, Safety and Environment (HSE) performance

Guided by our HSE Commitment Statement, TransCanada has modelled an HSE Management System on the ISO 14001 standard to structure, manage and document our daily activities. In 2007, we focused on:

- Developing an HSE Risk Management Process and Tool;
- Reviewing and updating our HSE Management System;
- Developing and communicating a TransCanada Operating Procedures Management System and database, and updating HSE procedures;
- Establishing Critical Incident Review Committees; and
- Emphasizing conformance to Incident Management and Incident Investigation Processes.

In general terms, we made a great deal of progress in these areas in 2007. This was particularly true of our attempts to identify and eliminate hazards that contribute to on-the-job injuries. We also reviewed our overall auditing system to ensure that it is effective.

Discover the specific details of these HSE accomplishments on page 34.

## Minimizing work-related health risks

Our Health and Industrial Hygiene programs identify and implement controls to manage work-related risks affecting employees and contractors. We also identify company and industry health trends of non-work related issues that affect employees, such as lifestyle issues, and implement strategies to increase employee awareness.

Our priorities are stress mapping and stress management, fatigue management, back injury prevention, ergonomics, disability management, chemicals management and employee health education.

The highlights of TransCanada's 2007 health program were:

- A lifestyle awareness module for Respiratory diseases was developed and offered to employees. These diseases (i.e. asthma, flu, colds) continue as one of the top causes of non-occupational absences. TransCanada offered the annual flu vaccination program to all employees as a preventive measure. In 2007, a record number of employees received the flu shot -- 754 compared to 523 in 2006.
- A Fatigue Management Program was developed and delivered to 70 per cent of operations employees.
- A refresher on back injury prevention was provided in conjunction with the Fatigue Management Program. Musculoskeletal (back, legs, arms, neck) injuries continued to be a primary reason for occupational and non-occupational injuries.
- The first Active Living program was rolled out to all TransCanada employees as encouragement to engage in and maintain healthy living through good lifestyle choices. Over 400 TransCanada employees participated in logging monthly activity hours and received education and tips on a number of general health topics.

- Health Modules were developed and distributed on key health issues impacting TransCanada employees:
  - Cardiovascular Health
  - Back Health
  - Arthritis
  - Asthma and Allergies
  - Nutrition and Weight Control
  - Cancer
  - Diabetes

## Safety conscious contractors on the rise

TransCanada routinely works with some 1,500 contractors and subcontractors. We have developed a system to assess and evaluate contractor performance before, during and after they complete their services to our company. This is an integral part of our effort to seek continuous improvement in all matters of health, safety and environment.

Site-specific safety risks are identified and managed in the project and/or site-specific safety plans and senior management of both parties meet to align safety expectations. Personal interaction puts a human face on our commitment to safety.

Audits are also performed on some projects, based on risk, to determine the effectiveness and adequacy of the contractor safety program.

Pre-qualification of contractors ensures that only those contractors meeting our safety expectations are accepted. Not all contractors who express interest in working with TransCanada meet our safety standards for attitude, behaviours and applicable programs. In 2007, 414 contractor pre-qualifications were completed, of which 285 were approved.

## Investing in Communities

TransCanada invests significantly in the communities where we live, work and operate. We strive to develop meaningful partnerships with non-profit organizations to sustain quality of life improvements. Our partners share our belief that learning is key to improving lives, increasing hope and creating new beginnings.

Our community investment program focuses on five areas of need:

### Civic Investment

TransCanada encourages and supports arts, heritage sites, museums, libraries, fire and police initiatives. We realize the importance of these programs in the success and growth of vibrant communities.

Read more about a specific civic initiative on page 24.

### Education

TransCanada is committed to furthering educational opportunities in communities where our employees live and work. We are proud to help facilitate learning through our support of literacy programs, stay-in-school initiatives and post-secondary institutions.

### Environment

We have a responsibility to protect the environment. We are committed to [environmental education and stewardship](#), particularly within the areas of air emission, water conservation and species at risk.

Read about our commitment to environmental education and stewardship on page 14.

### Health

TransCanada supports preventative programs that leverage employee interests in health and wellness. In particular, we focus on bones and joints, mental health, heart and stroke, and diabetes.

Read about a health-related contribution on page 24.

### Human Services

We recognize the need to protect and nurture the development of those most vulnerable. Specifically, we address issues related to safe, affordable housing, ending homelessness and food security.

### Our contributions in 2007

TransCanada invested \$6 million through cash and in-kind contributions in communities in Canada, the U.S. and Mexico. That investment was distributed as follows

Civic	15 per cent
Environment	11 per cent
Education	26 per cent
Health	15 per cent
Human Services	33 per cent

Learn more about our community investment efforts on page 34.

### Participating in LBG Canada

TransCanada is a member of LBG Canada, a member-driven association working towards a more accurate and informative standard in the management, valuation and performance measurement of corporate community involvement. We have adopted this approach to improve our programs and enhance reporting to our stakeholders.

## Our responsibility to the environment

Pipelines are the safest and most reliable way to transport hydrocarbons over land. At TransCanada, we strive for optimal protection of the public and the environment through research into new technologies.

We have been field testing a new process for confirming the integrity of new pipeline installations. Called the Alternative Integrity Validation (AIV) process, this approach may eventually do away with the negative environmental impact of the time-consuming and costly post-construction hydrostatic test that has been an industry standard for many years.

Our experimental approach relies on close scrutiny of the pipe's integrity from manufacturing to installation. By eliminating the hydrostatic test we also eliminate the need to use and dispose of fresh water.

A promising process like AIV is just one result of TransCanada's dedicated pursuit of advanced research and development on pipeline technology. Through leading-edge studies like this, we have an opportunity to make a positive contribution to public safety, [environmental stewardship](#), industry efficiency.

For additional detail on pipeline integrity, please see page 27.

## Finding the right balance

TransCanada is now one of North America's leading energy infrastructure companies. We own a world class natural gas transmission system and hold significant interests in power generation and marketing, gas storage, crude oil transmission, and liquefied natural gas (LNG) terminals.

We are vigilant about minimizing the environmental impacts of those operations while meeting our obligation to help satisfy the strategic energy demands of consumers and businesses across the continent.

In practice, this means that we strive for environmental sustainability in all that we undertake, mitigate negative effects wherever we are not able to eliminate them, and comply with all regulatory requirements.

## The core of environmental protection at TransCanada

Our [Integrated HSE Management System](#) framework, which incorporates what we call a Continuous Improvement Cycle, is the main tool we use to address environmental issues. Holistic in scope, based in risk management and implemented across the entire company, the HSE Management System focuses on:

- Managing [greenhouse gas](#) and [air emissions](#); we track our progress and recognize that appropriate business decisions can only be made with accurate emissions inventories;
- Maintaining biodiversity;
- Fostering energy efficiency;
- Participating in public policy discussions about environmental matters; and
- Respecting the diverse cultures in which we operate.

In short, our responsibility toward the natural world is comprehensive, and takes account of the potential negative effects that our operations might have on the environment. Ours is a broad, preventative vision of environmental sustainability.

## Environmental initiatives that make a difference

### Environmental Legislation

Accommodating changes in environmental legislation and ensuring compliance is vital to TransCanada, as we operate

in many jurisdictions amid constantly changing regulations.

To enable understanding and compliance, we monitor such changes through government web sites, industry associations and publications. We also participate in [multi-stakeholder](#) forums to anticipate and prepare for upcoming regulatory changes. Once regulations are enacted, we review our operations and develop action plans to provide for on-going compliance.

### PCB and NORM Management

We developed these programs to safely manage trace amounts of [polychlorinated biphenyls](#) (PCBs) and naturally occurring radioactive materials (NORMs) that may be found in older pipelines. These programs offer cradle-to-grave management of potentially contaminated materials and equipment.

### Hazardous Materials and Waste Management

This program includes detailed procedures and guides that are tailored to company operations and dictate the management of hazardous materials and wastes from cradle-to-grave.

### Site Assessment, Remediation and Monitoring (SARM)

By using a risk-based process, we prioritize our Canadian sites for environmental assessment, [remediation](#) and monitoring activities. This program also identifies the level of public and regulatory consultation required to manage risk and maintain compliance. TransCanada is developing a more comprehensive environmental risk management tool that will include the analysis of Canadian compressor stations.

Related to this work is our representation on the CEPA as co-chair of the National Energy Board's Canadian Pipeline Environment Committee (CPEC). The committee has published "The Pipeline Industry and the Migratory Birds Convention Act" to raise awareness of the Act and suggest ways in which pipeline companies can manage their activities to meet or surpass the legislation.

### Habitat Conservation

As we prepare environmental protection plans for our projects, we use available information and guidance from resource management agencies to conserve fish and wildlife habitat. Opportunities for habitat enhancement are explored during various [reclamation](#) programs conducted throughout the life of our pipeline system.

TransCanada also participates in collaborative research projects that help us understand wildlife and the impact our activities have on their habitats. For example, we represent the CEPA on the multi-stakeholder Species at Risk Advisory Committee. The committee advises the Minister of the Environment on the administration of the Species at Risk Act by exchanging information, advice and recommendations concerning the protection of species at risk, promoting and encouraging effective stewardship of Canada's biological diversity, and promoting and encouraging efficiency, clarity and consistency in the administration and clarity of the legislation. Other current TransCanada research initiatives include caribou, grizzly bear and stone sheep.

### Incident and Issue Tracking (IIT)

To report incidents and issues involving employees, contractors and third parties, TransCanada uses an IIT tool. This electronic database allows employees to manage incidents and issues effectively from start to finish, ensures consistent, accurate and timely reporting of incidents and issues, and encourages the sharing of experience to reduce the severity or likelihood of recurrence.

Information entered into IIT is most commonly used for:

- Internal and external reporting;
- Assigning accountability for investigation and action;
- Tracking company and contractor health and safety performance; and

- Trending health, safety and environment for use in continuous improvement.

## Our accomplishments in 2007

TransCanada's dedicated team of environmental professionals work to support the company's commitment to environmental protection. Based at our Canadian and U.S. offices, they address environmental issues effectively at both the corporate and local level. Here are some of their major accomplishments from 2007:

- TransCanada conducted [environmental assessments](#) on numerous major projects, as well as on routine maintenance work, in accordance with regulatory requirements and accepted management practices. Based on these assessments, we developed detailed Environmental Protection Plans that outline specific measures our contractors will follow during construction to minimize potentially negative environmental effects.
- Throughout construction of all major pipeline projects, we employed independent environmental inspectors as overseers. Their role was to confirm all commitments within the environmental protection plans were completed as required, and to manage changes to the plans as required by field conditions.
- After construction, we ensure that our pipeline rights-of-way are reclaimed as quickly as possible. In 2007, we undertook reclamation activities on 24 pipeline projects and 16 meter station sites. We also did post-construction monitoring to assess the effectiveness of our reclamation efforts.
- We developed compliance calendars and manuals (see page 28) for all of our Canadian assets. These serve as a valuable environmental management and planning tool, providing a single, comprehensive source of environmental information for individual facilities.
- We conducted numerous Phase II Environmental Site Assessments as part of our Canadian Contaminant Sampling and Delineation (CSD) program. The CSD Program is a risk-based environmental management program that focuses on investigation of legacy contamination issues at TransCanada facility sites.
- We conducted large-scale Phase II Environmental Site Assessment (ESA) and Remediation Programs to support the transfer of land assets from TransCanada to the Keystone Oil Pipeline project. The Keystone Phase II ESA Program included intrusive soil and groundwater investigations at 44 sites including compressor station, mainline valve, pipeline drip and pigging launcher and receiver sites. The Remediation Program in 2007 involved the excavation and off-site disposal of soil exceeding applicable environmental quality guidelines identified through the Phase II ESA Program. Both Programs involved co-ordination of multiple crews and resources and were successfully executed under tight time constraints.
- As part of our regulatory tracking and monitoring program, we revamped our process to help us capture pending regulatory changes in all jurisdictions where we conduct business.

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## Our responsibility to shareholders

More than ever, North Americans are concerned about energy. They want abundant energy from suppliers who deliver reliably, safely and cost-effectively. TransCanada is a company that has addressed those needs responsibly through strategic vision and created lasting value for our shareholders.

In 2007, for example, we acquired the American Natural Resources Company and ANR Storage Company (collectively, ANR) to make good on that promise to customers from the Great Lakes to the Midwest and the Gulf of Mexico.

This acquisition not only extends our pipeline system to 59,000 kilometres, it provides communities with unprecedented connections to emerging supply basins and gives us access to 355 billion cubic feet of strategic natural gas storage capacity. These assets fit well with our existing North American portfolio and further strengthen our position as a leader in the North American gas transmission business.

As a result, American consumers and businesses can now count on TransCanada to link them reliably and safely to the secure energy supplies they want and need.

## A company you can rely on

Every company has an obligation to act responsibly. That obligation only grows when a company widens its sphere of influence through acquisitions and new developments.

TransCanada's sphere of influence widened tremendously in 2007. We expanded our pipeline and energy assets across North America, employed nearly 40 per cent more people, and strengthened our balance sheet. With that success has come a heightened sense of responsibility about our role as a leading provider of secure energy infrastructure across the continent.

Our success is related directly to the ethical way in which we uphold our responsibilities to our shareholders, our stakeholders, and the wider community in which we operate. Ours is a business based on solid principle and sound governance, supported by dedicated employees, and respected by our industry peers. TransCanada has always been, and intends to remain, a company you can rely on.

## The practical effect of good governance The TransCanada Code of Business Ethics

At TransCanada, corporate responsibility is a strategic imperative that begins at the top. Members of our Board of Directors and Executive Leadership Team (ELT) are expected to understand and uphold our published Code of Business Ethics and, in the process, set an example for all employees.

The Code sets out standards of business integrity that govern our relationships with customers, shareholders, communities and others in our workplace. By observing that strict standard of personal accountability, our Board members and ELT underpin our long-range strategic planning and influence the management of our day-to-day activities.

Any TransCanada employee who suspects unethical behaviour may make an anonymous report through a secure, confidential, anonymous third-party reporting system. In 2007, there were 83 calls to the Ethics Help-Line. All were resolved by TransCanada's Internal Audit Department.

To see how we're doing with respect to customer satisfaction see page 27.

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## Sarbanes-Oxley and internal controls

As a registrant with the Security Exchange Commission (SEC), TransCanada acts in accordance with the provisions of the [Sarbanes-Oxley Act](#) (SOX). Enacted in the U.S. in 2002, this Act requires that company management establish and assess internal controls over financial reporting on an on-going basis.

We have had a Sarbanes-Oxley Implementation Team (SOXIT) in place since 2003. The team's goal is to encourage transparency in our financial reporting. It achieves that through extensive review, testing and remediation of all internal processes involved in financial reporting. In addition, we created the SOX Remediation and Compliance Project to ensure strict controls around all of our information systems.

External auditors reviewed our internal control process for the period ended December 31, 2007 and reported that TransCanada maintained, in all material respects, effective internal control over its financial reporting in accordance with SOX.

The work of the SOXIT team complements existing TransCanada policies regarding conduct, including:

- Codes of business ethics;
- Public disclosure and communications;
- Trading policy for employees and insiders;
- Government relations;
- Political contributions; and
- Information management and security.

## Greater public transparency through better reporting

To increase the transparency of our annual corporate responsibility report, we requested an independent review of the 2006 report from the highly respected Canadian Business for Social Responsibility organization. Their constructive feedback focused on these key needs:

- A more candid discussion of the challenges we face;
- A reduction in report length and repetition among the different sections;
- More specific information about how we engaged in certain activities and what the specific outcome was;
- More detail on our performance;
- Integration of additional content on our U.S. operations; and
- Development of a more detailed printed summary based on the online report.

Many of the changes you will see in this year's report are based on those recommendations. We also published a separate, shorter print version of this report. For a shorter print version of this report please contact us at [communications@transcanada.com](mailto:communications@transcanada.com)

Read our previous reports on corporate responsibility at [www.transcanada.com](http://www.transcanada.com).

## Responsible risk management

Awareness of the risks that TransCanada faces daily and implementation of appropriate mitigative measures are of paramount importance in helping to maintain a safe, reliable and cost-effective supply of continental energy, keeping our employees, contractors, the public and the environment safe from harm, and sustaining the financial capacity of our company.

For example, TransCanada has developed a Business Continuity Policy and Program that outlines how critical business

functions will continue or resume in a manner that appropriately mitigates the risk created by a disruption. The program identifies and prioritizes critical business functions through a formal Business Impact Analysis and addresses recovery and the resumption of critical functions.

Furthermore, critical business areas have developed and tested Business Resumption Plans to aid with continuity during a business interruption. Disaster recovery plans are being developed, so critical business processes can function effectively.

In 2008, Business areas will continue to conduct testing of their Business Resumption and Disaster Recovery Plans to confirm the effectiveness of plans.

Similarly, TransCanada has developed a Pandemic Execution plan and framework from which we are basing the next stages of preparedness and response work. Each key internal business has identified critical activities and plans specific to those activities in the event of a pandemic situation.

## Addressing the infrastructure deficit

Within North America, the next challenge and opportunity for the energy sector is the [infrastructure deficit](#). Simply put, energy demand is outstripping the capacity of existing infrastructure to meet that demand.

At TransCanada, we see ourselves as a company with the talent, the resources, and the determination to make a significant contribution to resolving this critical issue. We feel this is a responsible attitude toward energy security on the continent.

## Our Responsibility to Customers

TransCanada is an essential and dependable supplier of natural gas and electricity services to gas producers in Canada and the U.S., and to consumers in market regions in Canada, U.S. and Mexico. This is our highest responsibility.

## Strategic growth in pipelines

Our approach begins with optimization of our pipeline network. We are connecting new supply, providing better access to markets, and introducing competitive and innovative approaches to meeting the needs of our customers.

- In February 2007, TransCanada completed the acquisition of ANR. This added 17,000 kilometres (10,600 miles) of pipeline and 235 billion cubic feet of natural gas storage capacity to our portfolio. These assets fit well with our existing North American footprint, as ANR is one of the largest interstate natural gas pipeline systems in the U.S. TransCanada also acquired an additional interest in Great Lakes Gas Transmission. In a separate transaction, TC PipeLines, LP acquired the remaining interest in Great Lakes.
- In April 2007, we began operating the Northern Border Pipeline Company, the largest natural gas pipeline serving the U.S. Midwest. TransCanada owns 16.1 per cent of this system through our interest in TC PipeLines, LP.
- We achieved several significant milestones on the 3,456-kilometre (2,148-mile) Keystone Oil Pipeline Project, in which we own a 50 per cent interest. The pipeline will be capable of delivering 590,000 barrels per day of crude oil from Hardisty, Alberta, to U.S. Midwest markets at Wood River and Patoka, Illinois, and to Cushing, Oklahoma. Initial deliveries to Patoka and Wood River are expected to begin in late 2009.
- We applied to the Alberta Utilities Commission (AUC, previously AEUB) for approval to add 300 kilometres of

natural gas pipeline to connect the northeast and northwest portions of our Alberta System.

- We continue to work with stakeholders on northern pipeline initiatives, including the Mackenzie Valley Pipeline and Alaska Pipeline projects, to bring much-needed northern natural gas to market.
- Our 130-kilometre (81-mile) Tamazunchale Pipeline in Mexico, has been in operation since December 2006. We are now pursuing the development of further natural gas pipeline infrastructure.

### Strategic growth in energy

We continue to invest in projects across North America that will contribute responsibly to our energy security.

#### Projects under construction

- TransCanada is positioned to become one of North America's largest providers of wind energy through its 62 per cent interest in Cartier Wind Energy Inc. Cartier Wind was awarded six projects by Hydro-Québec Distribution, representing a total of 740 megawatts (MW). In November 2007, the second wind farm, Anse-à-Valleau (100.5 MW) went into commercial in-service and began delivering electricity under the 20-year power purchase agreement with Hydro-Québec Distribution. Construction of the third wind farm – Carleton – also began in 2007.
- In early 2008, a milestone in the Bruce A Units 1 and 2 refurbishment and restart project was completed when the final new steam generator was installed. Bruce A Units 1 and 2 are expected to produce an additional 1,500 MW of power when completed in 2010.
- In 2007, construction continued on the Portlands Energy Centre (PEC). PEC is a partnership between Ontario Power Generation and TransCanada. The 550 MW, high-efficiency, **combined cycle** natural gas generation power plant is on track to provide much-needed electricity to Toronto.
- In December 2007, we started construction on the 683 MW Halton Hills Generating Station. The plant is a combined cycle, natural gas-fired power plant in the town of Halton Hills, Ontario, just west of Toronto. Operations are expected to begin in the third quarter of 2010.

#### Projects under development or proposed

- Maine's Land Use Regulation Commission (LURC) approved our zoning change and preliminary development plan for the 132 MW Kibby Wind Power Project. TransCanada continues to work on the final development plan, the last step in the LURC process.
- TransCanada is exploring an intriguing new model for green energy. The Belle Plaine **polygeneration** facility which would be the first of its kind in Canada, proposes to convert petroleum coke into electricity, steam, hydrogen and high pressure carbon dioxide for industrial uses. It would generate 300 MW of electricity and other energy products, recycle most of the emissions, and help meet greenhouse emission reduction targets. Stakeholder feedback is currently being gathered for the facility which would be located in Belle Plaine, Saskatchewan, between Regina and Moose Jaw.

#### Disappointing developments

Market conditions sometimes have negative consequences for projects that we feel are a responsible approach to addressing long-term strategic continental energy needs. Some disappointing developments included:

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- We re-evaluated the Cacouna LNG import project. Access to supply, capital cost pressures, excess North American re-gasification capacity, and worldwide natural gas economics have inhibited development of the Cacouna LNG import project. The project, a partnership between TransCanada and Petro-Canada, would be capable of receiving, storing and re-gasifying imported LNG with an average send-out capacity of approximately 500 million cubic feet per day of natural gas. At this point, no final decisions have been made as to the long-term outlook.
  - In March 2008, the U.S. Federal Energy Regulatory Commission authorized construction and operation of the Broadwater Energy liquefied natural gas (LNG) project. The New York State Department of State (NYSDOS) announced a negative consistency determination in Broadwater's Coastal Zone Management Act application, finding the project was not consistent with the state's coastal zone policies. Broadwater has initiated the first step in preparation for an appeal. The project – which still requires State approvals – is expected to begin operation in early 2011, supplying one billion cubic feet of natural gas per day, an amount equal to the needs of four million New York and Connecticut residences.

## The Inspire Network

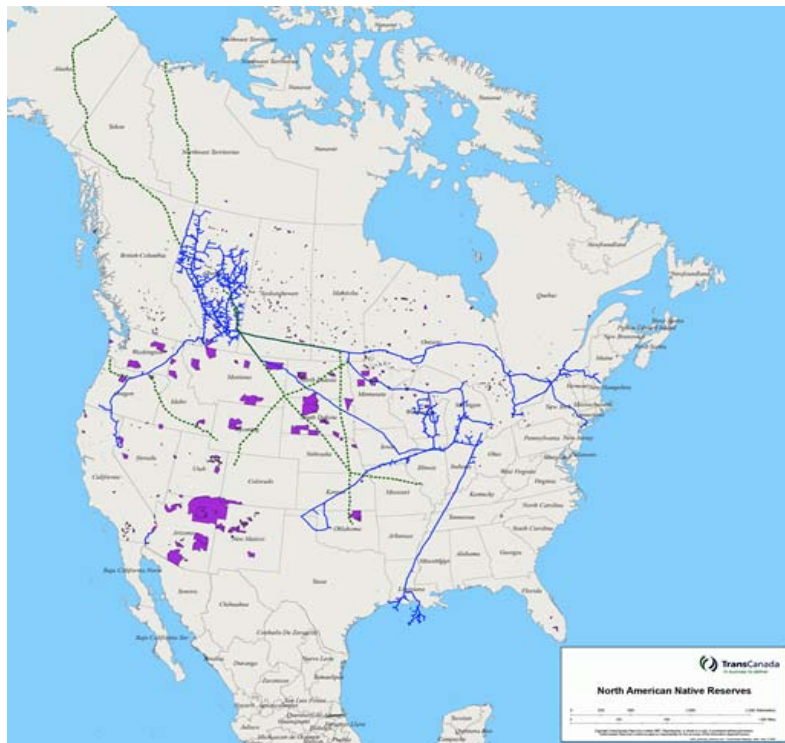
The Inspire Network is a grassroots organization of employees from across TransCanada to foster a workplace that encourages women to reach their full potential. We are moving toward this goal by increasing awareness of workplace issues, facilitating networking opportunities, and acting as a resource to TransCanada's leadership on women's issues.

This was the fifth year of operation for TransCanada's Inspire Network. With senior leadership sponsorship and committed resources, volunteers from throughout the company worked on sub-teams to support the network. The network continued to increase awareness of issues such as career management, mentoring and work/life balance. Inspire also continued to establish internal and external networks and host events such as lunch and learns, speaker events, and several networking sessions open to all employees.

One of the opportunities that the Inspire Network offers is the Women's Leadership Forum. In 2007, TransCanada was once again a lead sponsor of the Women's Leadership Forum in Calgary that drew more than 1,000 participants from across Canada and the U.S.

## Aboriginal/Native American Relations

In Canada, more than 150 Aboriginal communities are located within 50 kilometres of our pipeline and power operations. We have facilities on 12 reserves and settlements. In the U.S., close to 100 Native American communities are located within 30 miles of our facilities. More than 100 miles of pipeline pass through tribal reservations, including the Northern Border pipeline in Montana.



To address the legal, social and economic realities of aboriginal peoples of Canada and Native Americans, we subscribe to principles that underpin an evolving, company-wide management framework.

We now have a full-time employee solely focusing on Aboriginal employment and another looking after Aboriginal contracting opportunities. We have also established a strong network of five regionally based Aboriginal liaisons. We supplement this framework by providing Aboriginal/Tribal awareness training to our business units.

In the U.S., we initiated contacts with Native American tribes, federal and state government agencies, industry representatives and other stakeholders to learn about the legal and regulatory landscape for doing business on or near tribal reservations. These consultations led us to conclude that the thrust of our Canadian approach – trust and relationship building – should be the basis of TransCanada's approach in the U.S.

Some of the specific results that we have achieved in 2007 include:

- We signed seven [community agreements](#) in 2007, for a total of 28 agreements to date. In each of these agreements TransCanada recognizes and respects the assertion of traditional territory by communities. This usually allows the parties to negotiate an agreement without entering into a debate about aboriginal rights and titles or land claims as these issues can only be resolved through negotiations between the Crown and the aboriginal communities.
- In July 2007, TransCanada and the Dene Tha' First Nation signed a Community Cooperation Protocol Agreement and an Economic Development Agreement. These agreements provide a process to resolve issues that may arise between TransCanada and the Dene Tha'. The Dene Tha' and TransCanada intend to work together and continue to build a relationship based on understanding, trust and respect that recognizes and serves the interests of both parties.
- In Eastern Canada, TransCanada was proactive in establishing new relationships with communities including Six Nations, Mississaugas of the New Credit, the Mohawks of Kanosatake (TransQuebec & Maritimes Pipeline), the Abenakis of Wôlinak (Bécancour Co-Generation), and the Micmacs of Gesga'gewa'gi (Cartier Wind and TransCanada Wind). We are actively working with these communities and have signed an agreement with the Mississaugas of the New Credit.
- In Quebec, TransCanada joined the Roundtable on Aboriginal Issues of the Construction Commission of Québec ("CCQ"). The Roundtable seeks to identify and put into place solutions to integrate Aboriginal people in the work created on construction projects. TransCanada also sponsored a project proposal submitted by the CCQ to the Federal Aboriginal Skills and Employment Partnership program to create an Aboriginal vocational training centre. TransCanada's sponsorship consisted of jobs created by its various construction projects in the areas of wind energy, pipelines, and liquefied natural gas conversion and transportation by pipeline.

## Committed to Aboriginal employment and capacity building

TransCanada recognizes Aboriginal employment as an issue of mutual interest, matching the Aboriginal community's need for skills and employment with the company's need for skilled and talented employees.

Since 1998, TransCanada has supported the education of Aboriginal students through scholarships, bursaries and fellowships, as well as through contributions to post-secondary institutions. We also invite scholarship recipients to apply for summer student, co-op and other positions that target post-secondary graduates.

Improvements to our Human Resources policies, practices and procedures are designed to increase support, accessibility and employment opportunities as well. One important 2007 initiative was a revised time reporting process that streamlines Aboriginal employee tax reporting by making it simple to document tax-exempt employment income earned while on reserve lands.

TransCanada sponsors a number of Aboriginal initiatives at Southern Alberta Institute of Technology (SAIT), including the Aboriginal Student Centre (Chinook Lodge), the annual Aboriginal Student Symposium, and the annual Aboriginal Graduation celebration. In addition, we attend Corporate Networking Mixers, spend class time with the Aboriginal Oil and Gas Land Administration students to prepare them for Behavioural Descriptive Interviews (BDI), and offer cross-cultural awareness sessions to help prepare them for working within the oil and gas corporate environment. During the last five years, TransCanada has supported several students from the Aboriginal Oil and Gas Land Administration program through practicum placements with two of those practicum students successfully transferred to full time positions in 2007.

TransCanada sponsors and is a contributing member on the Advisory Committee of the Native Ambassador Post-Secondary Initiative (NAPI), a program developed, conceived and managed by the Native Center at the University of Calgary. The purpose of NAPI is two-fold: to act as a resource for post-secondary information on post-secondary options (institutions, programs and services available to Aboriginals within the City of Calgary) and to offer positive role models to Aboriginal youth in junior and senior high school. The NAPI program focuses on the merits of post-secondary education in relation to career and community aspirations.

Many Aboriginal students attend technical training at community colleges. Given the technical skills shortage across the country, and TransCanada's need for technically skilled employees, we support a number of initiatives to encourage Aboriginal employees to attend technical programs such as:

- Through our partnership with the Pipeline Operators Training Committee, TransCanada has taken a proactive approach in preparing Aboriginal and other northerners for long-term employment in the oil and gas pipeline and production operations areas. In 2007, TransCanada hired one Aboriginal apprentice from the Northwest Territories and will provide on-the-job training and education funding to support the individual's education aspirations of attaining a journeyman ticket in the trades. TransCanada has committed to support one new apprentice to start with us in 2008, for a total of eight new Aboriginal apprentices since 2004.
- TransCanada is a key sponsor of NAIT in Motion, a mobile technical education unit developed by the Northern Alberta Institute of Technology (NAIT) in Edmonton. Two NAIT in Motion tractor-trailer units, loaded with more than \$200,000 in equipment, bring technical courses directly to students in remote northern Aboriginal Alberta communities. Fuelled by diesel generators and equipped with a 500-pound crane, the units accommodate a variety of welding and metalworking courses. The mobile classrooms support TransCanada's education initiatives by having the classroom come to remote Aboriginal communities to offer a 12-week program, which includes Life Skills training, Safety Certification and 6-week trade-specific training.
- Winnipeg's Red River College and Edmonton's Grant MacEwan College have large numbers of Aboriginal students. TransCanada financially supports the Elders In Residence Programs that give students access to an Elder who provides spiritual resources. The initiative is expected to improve both the recruitment and retention of Aboriginal students at the colleges.
- In 2007 TransCanada partnered with the National Aboriginal Achievement Foundation and other oil and gas companies to create the Oil and Gas Trades and Technology Bursary and Scholarship program.

## Strengthening business relationships with aboriginal suppliers

TransCanada's many contractors and suppliers are vital to our success. We work hard to maintain solid relationships with the best suppliers and are always on the lookout for new suppliers who can add value to our projects.

To ensure Aboriginal community participation in our work activity, TransCanada:

- identifies and pre-qualifies Aboriginal contractors;

- educates prime contractors about Aboriginal contracting in general;
- conducts meetings with Aboriginal communities on upcoming activities;
- provides bid preparation training to Aboriginal contractors;
- educates Aboriginal contractors about the importance of safety and the need for contractors to be qualified under TransCanada's Contractor Safety Management Program;
- conducts open houses for capital projects; and
- hires local Aboriginal people for both construction and operations projects.

We have increased the economic benefits with Aboriginal contractors and sub-contractors substantially in the past five years. In 2007, TransCanada spent approximately \$29.1 million on contracts with Aboriginal contractors and Aboriginal employment through our prime contractors. This has increased significantly from \$4.2 million in 2003.

### Promoting a culture of safety among employees

TransCanada's Safety 24/7 program, which was launched in 2003, has developed quickly from a conceptual idea into a fully-fledged program that provides safety information and services to employees and their families.

In 2007, Safety 24/7 continued to educate employees through information booths set up at TransCanada's head office in Calgary. In addition, personal protective equipment (safety glasses, gloves, ear plugs, dust masks) was offered to employees to take home. As well, First Aid/CPR training was offered to head office employees.

In the field, we continued with the Safety 24/7 training offer for family members that includes up to \$100 for pre-approved safety training courses.

TransCanada Field Operations provides Safety 24/7 training opportunities to permanent employees and family members, including First Aid/CPR, driver training, firearms safety training and motorcycle safety training.

### AirMedic takes off with TransCanada's support

If your child is hurt or sick, the last thing you need to be worried about is the cost of an air ambulance.

As a founding partner of the AirMedic Programme des enfants (Program for Children), TransCanada is helping to defray the cost of transporting children by air ambulance in Quebec. TransCanada's support of the new pediatric/neonatal air ambulance program allows for the free transportation of emergency pediatric patients and helps to fund AirMedic's purchase of a new incubator for babies.

AirMedic is a non-profit group that provides air ambulance service, evacuation and patient transport to the province of Quebec. AirMedic also transports organs and patients needing transplants, as well as medical teams who need to travel urgently.

### TransCanada equips fire and rescue squad for rapid attack

Being in business to deliver isn't just limited to natural gas, power and energy infrastructure - sometimes it's about donating trucks. That's what Colinton Fire and Rescue found when TransCanada donated a surplus truck. TransCanada recognizes that fire and rescue services play a vital role in emergency response and preparedness, and the donation helps ensure they're well-equipped to take action in an emergency situation whether along our pipeline or in the communities where we live and work.

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## Keystone Oil Pipeline

TransCanada's Keystone Pipeline (Keystone) is an innovative and cost-competitive solution to link a reliable and stable supply of North American crude oil with a rising North American demand for energy. The 2,148-mile (3,456-kilometre) pipeline will transport crude oil from Hardisty, Alberta to U.S. Midwest markets at Wood River and Patoka, Illinois and to Cushing, Oklahoma.

In 2007, members of our Keystone project consulted more than 1,500 stakeholders in Alberta, Saskatchewan and Manitoba, and more than 8,000 stakeholders in the U.S. Those consulted included community residents, landowners, federal, provincial and state government representatives, regulators, environmental organizations, and labour organizations.

We achieved this by employing a wide range of engagement and communications vehicles, including face-to-face meetings; open houses; speaking engagements and participation at community and public events; toll-free telephone lines; a project-specific e-mail address and website; the Keystone Connection Newsletter; news releases; project brochures; fact sheets; and advertising. Research was conducted to confirm Keystone's stakeholder data was accurate, thorough and current.

Such extensive consultation contributed to the fourth quarter decision of Canada's National Energy Board to approve Keystone's application to build and operate the pipeline in Canada.

The U.S. regulatory process advanced as well. In April, the Pipeline Hazardous Materials Safety Administration approved a special permit certifying Keystone's design as providing "a level of safety equal to, or greater than" other pipelines. The Illinois Commerce Commission also authorized the project in April. A Draft Environmental Impact Statement prepared in accordance with the requirements of the National Environmental Policy Act was issued in August, indicating that Keystone "would result in limited adverse environmental impacts during both construction and operation." In November, the North Dakota Public Service Commission certified the need for the project in North Dakota. Federal reviews and all state reviews needed for 2008 construction concluded in the first quarter of 2008 (Presidential Permit, Final Environmental Impact Statement).

In November 2007, Keystone submitted an additional NEB application for approval to expand the capacity of the pipeline through the addition of pump stations and pumping capacity at previously approved pump stations. A decision on that application is expected in the second quarter of 2008. Additional state permits required for 2009 construction are expected in 2008.

Construction of the Keystone Pipeline began recently, and the Keystone project team will continue to consult, upholding its ongoing commitment to open, honest dialogue with a wide spectrum of stakeholders in Canada and the U.S.

## Palomar Pipeline Project

Throughout 2007, TransCanada and its partner NW Natural, the leading natural gas utility in Oregon and southwest Washington, consulted extensively with stakeholders about the proposed Palomar Pipeline Project. The proposed 36-inch diameter, 220-mile long natural gas pipeline would provide additional energy infrastructure to serve Oregon, the Pacific Northwest, and other western states. The Palomar team met with federal, state, county and municipal elected officials and staff, landowners, agricultural groups, timber groups, labour organizations, economic development organizations, community groups, civic organizations, and environmental stakeholders. The team also shared information via mail, a website, phone calls, briefings, presentations and meeting and open houses.

In addition, several hundred local officials and community members commented on Palomar's Draft Environmental Impact Statement. Routing, environmental surveys, and consultation all continued through 2007 and into 2008. Pending FERC approval and commercial commitments, construction could commence in 2010.

## North Central Corridor Pipeline Project

Consultation with stakeholders about the proposed North Central Corridor Pipeline Project in northern Alberta began in January 2007. The proposed route for the 300-kilometre, 42-inch pipeline passes through primarily crown land and includes three municipalities and the traditional territories of ten First Nations and three Métis communities.

We communicated with stakeholders through email, information mail-outs, presentations at municipal and band council meetings, radio and newspaper ads, and community open houses.

We hosted three open houses to share information about the project with the communities, identify related issues, and strengthen relationships in the communities.

Environmental, historical and traditional use studies were undertaken with local Aboriginal communities. Aboriginal contactors were hired to assist with project planning. The information collected from the field studies was incorporated into project plans to avoid potential adverse impacts.

On November 20, 2007, TransCanada submitted its application to the AUC. TransCanada remains committed to communicating and consulting with the communities and stakeholders as the project progresses.

## Kibby Wind Power Project

In January 2007, TransCanada filed an application with the Maine Land Use Regulatory Commission (LURC) for its Kibby Wind Power Project (Kibby). The proposed project, which would consist of 44 three-megawatt (MW) turbines on two ridges along the Boundary Mountains of Maine, would generate approximately 132 MW of electricity.

Throughout 2007, TransCanada focused on the environmental review process and working with local communities and other stakeholders in preparation for the LURC public hearings scheduled for October. TransCanada has been working with the major environmental groups in Maine since the inception of the project. In June 2007, the Appalachian Mountain Club, Maine Audubon, and Natural Resources Council of Maine announced support for Kibby. In addition to numerous stakeholder meetings, TransCanada hosted two public open houses. Following the public hearings, LURC approved our application for a zoning change and preliminary development plan to construct.

While the LURC is the key regulatory body, other state and local agencies will also be involved in project review. Federal agencies such as the U.S. Army Corps of Engineers, the U.S. Fish and Wildlife Service and the Federal Aviation Administration will also review the project.

Assuming the project is still economically viable when all the permits are issued, TransCanada hopes to begin construction in the summer of 2008.

## Cold Springs Natural Gas Storage Project

In June of 2007, TransCanada/ANR hosted a community open house at the Cold Springs Natural Gas Storage facility in Kalkaska County, Michigan to:

- Maintain, and continue to build on, existing relationships in the seasonal community;
- Share information with local residents about the expansion plans in their area; and
- Introduce TransCanada as the new parent company of ANR.

Community members viewed information display boards, had a bus tour of the facility, spoke one-on-one with company personnel and enjoyed a barbecue meal. Poster boards and maps were used to help explain matters such as community benefits, safety, construction, project scope, and protection of the environment.

Each participant was invited to complete a questionnaire about the proposal, and 14 did so.

Of the estimated 75 people in attendance, feedback and opinions about the project ranged from neutral to supportive. A number of attendees expressed their appreciation for ANR's effort to host the event and maintain good relations with the community.

## Pleasing customers more each year

Each year we engage an outside firm to conduct a pipeline survey so we can track our progress and identify areas for improvement.

Overall satisfaction rose significantly from 2006 levels. Customers who said they were 'very satisfied' increased 11 per cent, from 27 per cent to 38 per cent. Similarly, those who said they were either somewhat or very satisfied rose to 95 per cent from 89 per cent in 2006.

Customers gave the highest marks to our Call Centre, transactional systems and staff. This reflects our commitment to customer service, with a particular focus on making it easy for customers to do business with us.

Our focus in 2008 will be to sustain high levels of performance in core areas while continuing to progress our performance in senior management relationships, proactive communication, and working collaboratively to exceed customers' expectations in an increasingly complex marketplace.

## Maintaining the integrity of our pipelines

The TransCanada Pipeline Integrity Management Program endeavours to protect the safety of the public and company employees and protect the environment and private property from damage while maintaining the reliable operation of the pipeline system.

To help achieve these objectives, various maintenance activities are periodically performed on buried pipelines to confirm their safety and integrity. This may involve the excavation, inspection and repair of short sections of pipeline, and restoration of the site to its original condition.

TransCanada uses environmentally responsible mitigation measures to eliminate, minimize, or manage any effects of the maintenance programs. Examples of mitigation measures during the maintenance programs include:

- keeping topsoil separate from the subsoil during excavation;
- limiting vehicle traffic on site during adverse weather; and
- re-seeding excavation sites as required.

Once maintenance is completed, TransCanada will monitor the site on an ongoing basis to ensure that reclamation was successful.

During the recent Red Deer River Line Replacement (Alberta) project in the first quarter of 2008, for example, TransCanada worked closely with the Canadian Department of Fisheries and Oceans and Alberta Environment to protect and enhance fish habitat. River flows were maintained and monitored for sedimentation levels, fish were salvaged, new fish habitat was created, and existing fish habitat was enhanced.

In addition, we continue to field test a new process for confirming the integrity of new pipeline installations through AIV. The process has been implemented on 2 projects in the past few years. In October 2006, the National Energy Board (NEB) gave TransCanada permission to use AIV on the Deux Rivières Loop pipeline project in southern Ontario. In March of 2005, the AUC allowed us to implement this process on the second phase of our Peerless Lake pipeline project in northern Alberta.

The AIV process is also being implemented on the Birchwood Creek pipeline project in northern Alberta during the first quarter of 2008. The AIV process is continually being improved and has been recently enhanced by the development and implementation of a Quality Management System (QMS) for pipeline projects. The QMS helps to ensure that pipelines are constructed with integrity but also that we continue to get better at designing and building pipelines.

Our strong relationships with regulators such as the NEB, AUC, and the Canadian Standards Association, as well as with the pipe manufacturers themselves, gives us the chance to make a positive contribution to public safety, environmental stewardship, and industry efficiency.

In 2005, we received the first Global Pipeline Award from the American Society of Mechanical Engineers International in recognition of our outstanding innovation and technological advances in the field of pipeline transportation.

## Compliance manuals provide many benefits

In 2007, TransCanada developed our first set of compliance manuals and related calendars. These give us a “one-window” approach to environmental issues at our Canadian assets by providing information on all compliance requirements and a detailed record of current and past environmental issues related to a facility. We use them to verify that our operations comply with company operating procedures and government regulations.

Our compliance manuals provide other benefits as well. They can:

- Reduce the scope of, or sometimes entirely eliminate, costly environmental studies; they demonstrate corporate due diligence;
- Provide a detailed record of both current and past environmental issues related to a facility;
- Demonstrate to regulatory agencies and insurers that we manage environmental issues competently over time; and
- Reduce environmental management and training costs.

## Determining what’s best for the environment

TransCanada strives to protect the environment at all times. Typically, we prepare a plan that is intended to minimize the amount of disturbance from construction activities. Sometimes, however, our environmental supervisors find that field conditions dictate a different, more appropriate course of action. That’s when they use their skills and discretion to build additional environmental protection into the fieldwork.

For example, in 2007 we had prepared an Environmental Protection Plan (EPP) for our Marten Hills Lateral Loop #2, McMullen Section. Part of our goal was to leave tree stumps and roots undisturbed, if at all possible, near the edge of the right-of-way in order to:

- Limit damage to off right-of-way trees;
- Maintain slope stability on steep slopes; and
- Minimize disturbance to low lying ground vegetation and the root layer.

Once at the site our environmental inspector, with input from the construction manager and contractor, was further

able to determine that we could actually leave one to two metres of undisturbed tree stumps and roots, and as much as five metres at grade cuts, wherever the grade spoil was able to be piled on top of the undisturbed area.

Similarly, our EPP for the Birchwood Creek and Buffalo Creek East projects, specified the following:

Following watercourse backfilling, diversion berms and silt fence shall be properly installed at the top of the creek banks, and as necessary at intervals along the approach slope to remove surface run-off to a well vegetated, off right-of-way location. A combination of silt fencing and diversion berms shall be installed on the approach slopes during winter clean-up operations. Erosion control blankets/coconut matting shall be installed at watercourses as directed by TransCanada.

Field conditions did not allow, however, for installation of the silt fence. As a result, the environmental inspector chose to build additional diversion berms on the approach slopes to these watercourses. This met the intent of the original EPP by providing the same level of environmental protection by a different means.

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## Recognition of our efforts

- TransCanada was named to the Global 100, a list of the world's top 100 sustainable corporations. The Global 100 recognizes corporations that demonstrate a better ability than their industry peers to manage environmental, social and governance risks and opportunities.
- TransCanada was named to the [Dow Jones Sustainability](#) World Index for the sixth consecutive year. We have also been named to the Dow Jones Sustainability North America Index for the third consecutive year.
- The U.S. Environmental Protection Agency's Natural Gas STAR Program has recognized TransCanada's Great Lakes Gas Transmission Company (GLGT) operations for 12 years of continuing excellence in its efforts to report, measure and reduce greenhouse gas emissions.
- TransCanada's Two-Stage Supersonic Ejector invention received an honourable mention and was selected as one of the top five projects submitted for the 2007 American Society of Mechanical Engineers Global Pipeline Awards.
- *Thanks A Million Award*, for the 10th year, presented by the United Way to companies who contribute more than \$1 million in a year.
- Member of Alberta's Promise, an agency created in 2003 to encourage communities, businesses, service clubs, foundations and agencies to work together and direct more resources to benefit our young Albertans.
- Member of LBG Canada, a member-driven association working towards a more accurate and informative standard in the management, valuation and performance measurement of corporate community involvement.

## People



### Numbers

- Total employees: ~3,600
- Canadian employees: ~2,240
- U.S. employees: ~1,360
- In house contractors: 998

### New Employees

- Expected new hires per year: approximately 500 (excluding employees gained through acquisition)
- Approximately 38 per cent of our current employee population joined the company within the past year (including over 1,000 people who joined us via our acquisition of the ANR and Great Lakes in February).
- Voluntary turnovers: approximately 4.4 per cent in 2007

### Generations

- Average age of all employees: 44.7 years
- Average age of leaders: 47 years
- 60 per cent are "baby boomers" (born between 1946-1964)
- Age of new hires: half are under age 35; nearly one-third are under age 30

### Length of Service

- Average length of service is 13.4 years.
- The number of employees with less than two years of service has increased from the smallest group in 2003 to one of the largest groups in 2008 as we completed more hiring and acquisitions.

## Safety

In 2003, TransCanada set an objective to improve overall safety by 50 per cent from 2004 to 2008, as measured by the indicators of Total Recordable Case Rates, Away From Work Case Rates and Vehicle Incident Frequency, for

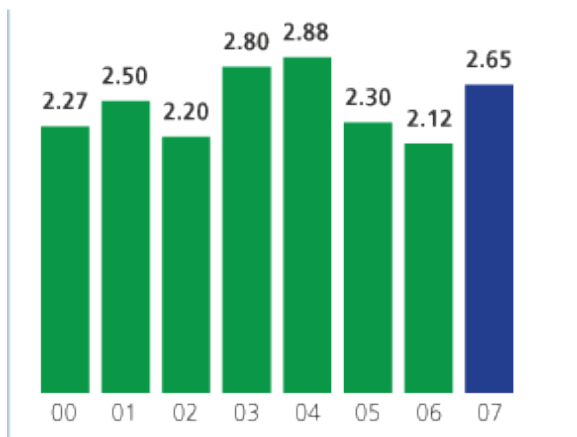
employees and contractors. Four objectives were established to guide the improvement initiative for the five years: Effectiveness of Leaders leading safety, Engagement of Employees in the Transition to Interdependence, Working with only the very best contractors, and Focus Initiatives on Prevention 24/7.

By the end of 2007, overall safety performance has improved by approximately 25 per cent as measured by the indicators since 2004. This was a step change improvement but this is not the entire story. During the four year period, significant new programs were introduced that have now become a part of the daily routine and are fundamental in attaining the improved performance, sustaining that performance over time and forming the new foundation for future improvements.

Some of the new programs include:

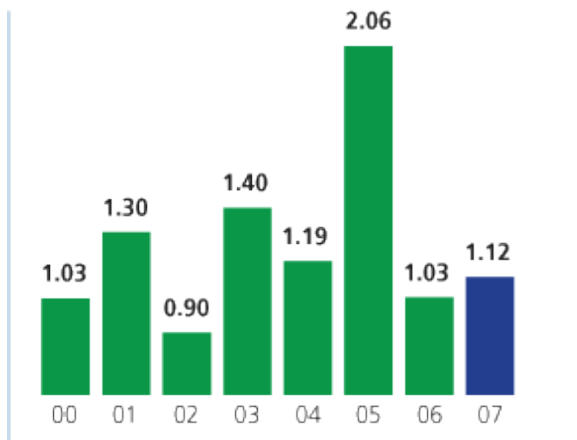
- formation of Joint Health and Safety Committees in all operating regions;
- implementation of a formal risk assessment process used by on site work teams prior to commencement of activities;
- implementation of a formal Contractor Safety Management Program for the selection and qualification of all contractors;
- formation of critical incident review committees at the management level;
- emphasis on 'near hit' reporting and learning for these before an actual incident occurs; and
- creation and implementation of the Safety 24/7 Program which endeavours to raise safety awareness at home and at play and reduce the risk of an incident for employees or their family members.

### Vehicle Incident Frequency



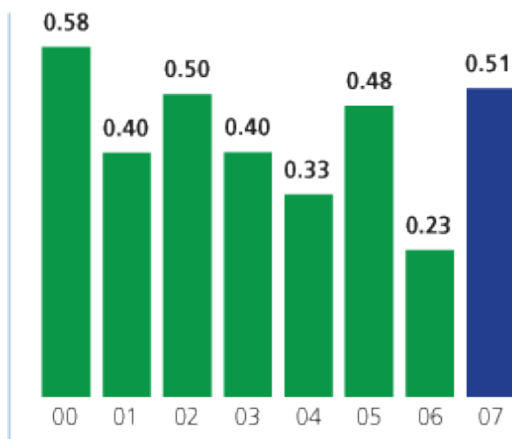
Vehicle Incident Frequency (VIF) refers to the number of recordable vehicle incidents recorded for every 1,000,000 kilometres that our employees drive. A recordable vehicle incident is any incident (regardless of fault) involving a fleet or rental motor vehicle that results in an injury to any person or damage to any vehicle or property, unless the vehicle was safely and legally parked at the time of the incident. On average in 2007, TransCanada experienced one incident for every 377,047 kilometres traveled. This compares favourably (53 per cent better) with the industry average in Canada of one incident for every 263,822 kilometres traveled.

### Total Recordable Case Rates



The Total Recordable Case Rate (TRCR) refers to the number of recordable cases per 100 full-time employees. On average in 2007, TransCanada experienced one workplace injury for every 90 person-years worked, or approximately 2.5 times better than the industry average in Canada of one medical injury for every 35.6 person-years worked. The majority of these injuries required only minor medical treatment. (Minor medical treatment includes such items as the need for prescriptions, stitches, or restrictions in work; and does not include an individual incurring time away from work.) Recordable cases are illnesses and work-related injuries that result in loss of consciousness, restriction of work or motion, transfer to another job, loss of life or injuries that require medical treatment beyond first aid.

### Away-From-Work Case Rates



The Away-From-Work Case Rate (AWCR) refers to the number of away-from-work cases per 100 full-time employees where an employee would have worked but could not because of occupational injury or illness. On average, TransCanada reported 196 person-years of work for every reported case, which compares favourably (44 per cent better) with the industry average of one away-from-work case for every 136 person-years worked.

With respect to Vehicle Incident Frequency, Total Recordable Case Rates, and Away-From-Work Case Rates, we must note that TransCanada's acquisition of American Natural Resources (ANR) and Great Lakes Pipeline Systems (GLGT) and their subsequent integration into TransCanada operational procedures affected safety performance during 2007. The integration of TransCanada safety procedures and programs into the new pipeline systems began in late 2007.

Once the operations of ANR and GLGT pipelines fully comply with TransCanada's safety procedures and programs, we expect a reduction in operational risk and therefore improved safety performance in the future.

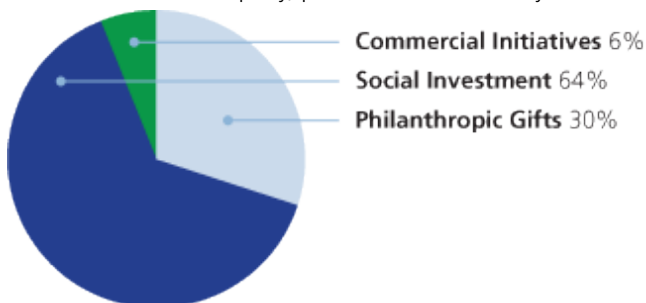
### Progress on Health, Safety and Environment issues

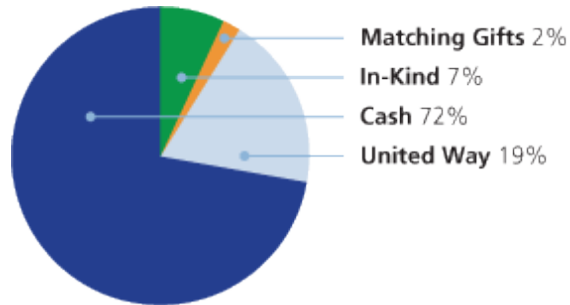
- Tier 1 Activities are the foundation of HSE governance. All activities driven by regulatory requirements, internal risk analysis and best practices are identified, planned and routinely conducted. When well managed, these activities minimize or eliminate the causes for findings in higher tiers. Of the 187,811 tasks scheduled for 2007, 99.2 per cent were completed.
- Tier 2 Inspections include formal inspections at all facilities to identify hazards and findings that must be corrected to eliminate and/or minimize injuries, property damage and substandard practices and conditions. Of the 266 scheduled in 2007 Planned Inspections, 92.3 per cent were completed. Minor trends were found in signage and labelling which regional and local operations are addressing.
- Tier 3 Audits (internal) are biennial internal assessments on the effectiveness and adequacy of TransCanada's HSE Management System Framework to manage TransCanada's significant HSE aspects. Audits are conducted utilizing recognized audit principles and company developed protocols.
  - Six Tier 3 audits were conducted in 2007. There were no critical findings within the audits, and all major findings have been addressed. Work continues on serious and minor findings, and at year end, over 50 per cent of these had been addressed. All action items are assigned and tracked for completion.
  - A Compliance Audit Program was developed in 2007. Environmental Audits were conducted in each of TransCanada's seven operating regions. Action items are assigned and in process of being addressed.
  - A Contractor Management Audit was conducted across six of the operating regions.
- Tier 4 (External) Audits are audits or inspections conducted by third parties, including those procured by TransCanada, as well as regulatory inspections. TransCanada conducted an external Management System audit in late 2006. There were no critical issues identified. Audit recommendations were applied to the Safety Priorities in 2007.

### Community Investment

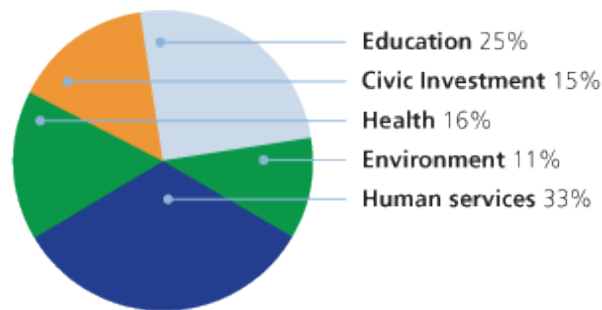
Total Giving for 2007 (cash and in-kind): \$6,141,094. This giving was achieved through:

- **Philanthropic Gifts:** Intermittent support to a wide range of good causes in response to the needs of charity and community organizations.
- **Social Investment:** Strategic involvement in community partnerships that address a specific range of social issues chosen by the company. These programs often support corporate interests and enhance reputation.
- **Commercial Initiatives:** Partnerships with charities and community-based organizations that directly support the success of the company, promote brand identity and other business goals.





How We Contribute



What We Support

Environment

Greenhouse Gas Emissions 2007

Greenhouse gases (GHGs) — associated with climate change — are emitted by TransCanada operations as carbon dioxide, methane and nitrous oxide.

The main source of TransCanada’s GHG emissions is the fleet of turbine engines that power compressors moving natural gas through our pipelines, consuming natural gas as fuel and emitting carbon dioxide.

Lesser GHG emissions come from methane, the major component of natural gas. Methane emissions occur as small ongoing gas leaks from pipeline equipment, engineered emissions from components designed to release small amounts of gas during normal operations and from [blowdowns](#), when natural gas is vented to the atmosphere to allow for pipeline maintenance. Negligible amounts of methane are emitted by our power facilities.

Very small amounts of nitrous oxide are released as bi-products of natural gas combustion in pipeline and power operations.

TransCanada is committed to responsible management of greenhouse gas emissions from our facilities. Accordingly, we adhere to the greenhouse gas emissions reporting regulations, as administered by Statistics Canada on behalf of Environment Canada and by Alberta Environment. We believe accurate and consistently reported data provides a

sound basis for designing policies that are put in place to manage greenhouse gas emissions.

The following table summarizes greenhouse gas emissions from TransCanada's pipeline and power generation facilities in Canada and the U.S. Greenhouse gas emissions from partially owned entities have been prorated to reflect the percentage ownership that TransCanada holds. Almost 80 per cent of the greenhouse gas emissions noted in the following table are attributable to pipeline operations. We expect that greenhouse gas emissions from our power generation assets will increase when construction is completed on a number of new facilities and as we acquire new assets that consume fossil fuels. On the pipeline side, greenhouse gas emissions will vary from year to year depending on changes to the supplies and demands for clean burning natural gas in North America.

### TransCanada 2007 Greenhouse Gas Emissions (millions metric tonnes CO<sub>2</sub> equivalent)

Overall, greenhouse gas emissions for TransCanada's pipeline and power facilities are higher for 2007 than reported in 2006, as we have included greenhouse gas emissions estimates for our added U.S. pipeline interests.

TransCanada expects that greenhouse gas emissions from its asset base will increase as it continues to invest in facilities that transport clean burning natural gas to growing energy markets in North America, and as it continues to build a balanced power generation portfolio that will include facilities that consume natural gas.

Canada – Pipelines	6.9
Canada – Power Generation	2.8
U.S. – Pipelines	5.0
U.S. – Power Generation	0.5
TOTAL	15.2

During 2007, ongoing and new initiatives positioned TransCanada to improve GHG management on several fronts:

TransCanada has pioneered the development of new X100-grade, large-diameter steel pipe which allows higher pipeline operating pressures using thinner walled pipe.

In pipeline operations, this enables more natural gas to be moved by less energy, reducing fuel consumption and related GHG emissions.

In pipeline construction, the use of high-strength steel also reduces total steel consumption, with a corresponding reduction in material tonnage and transportation costs, especially to remote locations.

Gas-fired turbine engines are the preferred drivers for compressors that move natural gas through pipelines. Performance trials conducted by Rolls Royce and TransCanada on the RB 211-6761 turbine engine show it can deliver up to a nine per cent reduction in fuel consumption and GHG emissions, compared with earlier models.

Canada, U.S. and global patent applications have been filed for TransCanada's newly-developed Supersonic Ejector, which captures and reclaims engineered methane emissions from dry gas seals on the centrifugal compressors that move natural gas through pipelines.

A prototype of the Supersonic Ejector has been successfully tested at one of our compressor stations and proved to capture emissions in a commercial environment. Since the ejector consumes no energy and requires minimal maintenance, it's an efficient and economic way of reducing methane emissions. The chief component of natural gas, methane is a highly potent greenhouse gas that traps 21 times more heat to the earth's surface than the same volume of carbon dioxide.

Ejector technology makes it possible to return low-pressure methane emissions into a high-pressure fuel gas line, partially offsetting compressor engine fuel demand and increasing the volume of natural gas delivered to consumers.

TransCanada has signed a memorandum of understanding with a leading compressor engine manufacturer to commercialize this technology.

TransCanada has invested more than \$1 million in the Air Emissions Data Management System (ADMS), which provides instant tabulation of emissions data as reports are received from across our pipeline and power businesses. ADMS positions TransCanada to respond promptly and efficiently to the latest government regulations. Over time, tighter tracking of GHG emissions performance is expected to provide increased ability to identify improvement opportunities and limit emissions.

TransCanada's outage decision model (ODM) plays a major role in minimizing the number of methane release events required when pipelines are shut down for repairs or new connections. These methane venting procedures, called blowdowns, are required to enable safe welding and other work on pipelines.

In these situations, TransCanada routinely uses truck-mounted portable compressors to transfer gas from affected pipeline sections into adjoining or parallel pipeline sections, greatly reducing methane venting.

Although TransCanada has made substantial investments in managing blowdowns, we would rather avoid them whenever possible. For several years, we've used the ODM to determine when blowdowns are necessary and to combine multiple repair projects into a single blowdown wherever feasible.

Through a series of field tests, TransCanada has proved the effectiveness of a commercially available portable incinerator that can be delivered by truck to blowdown sites. TransCanada uses this technology wherever accessibility and economic considerations permit. When a blowdown is performed to vent methane from a pipeline prior to repair work, transfer compressors remove the vast bulk of gas from the affected pipeline section. But there's always some residual methane left behind. Incineration converts methane to carbon dioxide, dramatically reducing immediate and long-term emissions impacts.

Some examples of TransCanada's involvement in alternative energy include:

A \$55.6 million re-powering project will double power output at TransCanada's run-of-river Vernon Hydro Development in Vermont and New Hampshire.

Portlands Energy Centre (PEC) is providing the University of Toronto and ARISE Technologies with a parcel of land to create Canada's largest solar research facility. The solar park represents a total investment of \$5 to \$8 million in photovoltaic technology and will harvest enough solar energy to power up to 1,000 homes by sometime in 2009.

For more examples see Strategic Growth in Energy on page 19.

## Business

### Financial Highlights

#### Net Income

- Net income was \$1,223 million or \$2.31 per share in 2007 compared to net income of \$1,079 million or \$2.21 per share and net income from continuing operations of \$1,051 million or \$2.15 per share in 2006.

#### Comparable Earnings

- **Comparable earnings** in 2007 increased \$182 million to \$1,107 million or \$2.09 per share compared to \$925 million or \$1.90 in 2006. TransCanada's comparable earnings in 2007 excluded favourable income tax adjustments of \$102 million and a gain on sale of land of \$14 million.

### Funds Generated from Operations

- In 2007, TransCanada's funds generated from operations were \$2.6 billion compared to \$2.4 billion in 2006.

### Investing Activities

- In 2007, TransCanada invested approximately \$5.9 billion in its Pipelines and Energy businesses. This included US\$3.4 billion related to the acquisition of ANR.

### Financing Activities

- In 2007, TransCanada issued approximately \$2.6 billion of long-term debt, US\$1.0 billion of junior subordinated notes and \$1.9 billion of common shares.

### Balance Sheet

- In 2007, TransCanada's total assets increased by \$4.4 billion to \$30.3 billion and shareholders' equity increased by \$2.1 billion to \$9.8 billion, compared with 2006.

### Dividend

- In January 2008, the Board of Directors of TransCanada raised the quarterly dividend on the Company's outstanding common shares for the quarter ending March 31, 2008 by six per cent to \$0.36 per share from \$0.34 per share. This was the eighth consecutive annual increase [in the common share dividend](#).

For additional financial detail, see our 2007 Annual Report at [www.transcanada.com](http://www.transcanada.com)

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## 2007 Highlights and Disappointments

- Delivered an average of 15 bcf/d of essential natural gas and 43,818 GW hours of electricity to markets across North America on time, safely and without significant interruption.
  - Increased staff by 45 per cent with ANR acquisition.
  - By the end of 2007, overall safety performance improved by approximately 25 per cent compared with 2004.
  - Had better than average industry scores for Vehicle Incident Frequency, Total Recordable Case Rates and Away from Work Case Rates.
  - Invested \$6 million in community projects.
  - Implemented extensive, customized stakeholder consultation on all major projects.
  - Scored high on pipeline customer satisfaction survey.
  - Completed environmental assessments and planning on all major projects.
  - Enhanced regulatory tracking and monitoring process.
  - Continued investment in green energy projects.
  - Had excellent financial performance.
  - Made significant additions to pipelines and energy infrastructure.
  - Grew total assets by \$4.4 billion.
  - Developed business continuity policy and pandemic response plan.
- 
- Recorded 23 company non-compliances and non-conformances, 21 were 'Minor' i.e. an isolated event that has limited impact. The one Major non-compliance was a permit exceedence for nitrogen oxides noted during quarterly testing at a compressor station.
  - Revised the schedule for the Cacouna LNG import project, and re-evaluated the project from a supply and cost perspective.
  - Received a positive decision from the FERC on the Broadwater New York LNG import project, but thereafter, received a disappointing decision from the New York State Department of State (NYS DOS) finding the project was inconsistent with the state's coastal zone policies.
  - Saw a 4.4 per cent voluntary turnover rate; though this is low for industry average, it is greater than what we have experienced in recent years.
  - Recognized that of those who did resign voluntarily, many did so because they were attracted by significant development opportunities in other organizations.

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## Terms used in the report

### **Aboriginal community agreements**

Agreements among TransCanada and Aboriginal communities to work together in a well-defined and mutually beneficial process that is specific to a single area. The agreements offer Aboriginal access to business and labour opportunities during both construction and operation of our facilities. By providing guidelines for the overall process of consultation on projects, they tend to foster understanding and speed project approvals.

### **air emission**

A term that applies to a chemical, physical (e.g., particulate matter) or biological agent that modifies the natural characteristics of the atmosphere and may impair the health of plants and animals (including humans) or reduce visibility.

### **blowdown**

A blowdown is the act of releasing natural gas from a section of pipeline so work can be done safely. TransCanada employees will close several valves to isolate that section of the pipeline and then open a special blowdown valve to release any natural gas.

### **Carbon Disclosure Project**

The Carbon Disclosure Project (CDP) provides a secretariat for the world's largest institutional investor collaboration on the business implications of climate change. CDP represents an efficient process whereby many institutional investors collectively sign a single global request for disclosure of information on Greenhouse Gas Emissions.

### **combined cycle**

In a typical natural gas combined-cycle facility, electricity is generated combining the energy from two power generating cycles. Natural gas is burned in the gas turbine which turns an electricity generator. The hot exhaust from the gas turbine is used to produce steam, which turns a steam turbine and another electricity generator. By combining the cycles together, the resulting energy efficiency is about 55% compared to 35% for a typical gas turbine alone.

### **commercial initiatives**

Partnerships with charities and community-based organizations that directly support the success of the company, promote brand identity and other business goals.

### **comparable earnings**

Comparable earnings comprise net earnings adjusted for specific items that are significant but not typical of the Company's operations. Specific items are subjective; however, management uses its best judgement and informed decision-making when identifying items to be excluded in calculating comparable earnings.

### **Dow Jones Sustainability Indexes**

Launched in 1999, the Dow Jones Sustainability Indexes are the first global indexes tracking the financial performance of the leading sustainability-driven companies worldwide. See [www.sustainability-index.com](http://www.sustainability-index.com)

### **environmental stewardship**

A broad term for reducing the impact of human daily activities on the environment. Such actions may range from individual behavioural changes to large-scale programs such as waste management, contaminated sites management, or energy audits that demand complex, coordinated approaches.

### **fugitive emissions**

Emissions that are released into the air from sources other than stacks or vents. They are often due to equipment

leaks or evaporative processes.

**greenhouse gases (GHGs)**

Gaseous components of the atmosphere from natural and man-made processes that contribute to the greenhouse effect. Common GHGs include carbon dioxide, nitrous oxide, methane, hydrofluorocarbons, perfluorocarbons and sulphur hexafluoride.

The operation of TransCanada's pipeline and power facilities produces "direct" emissions of three GHGs: carbon dioxide, methane and nitrous oxide. TransCanada also accounts for indirect emissions, which are produced by companies that generate the electricity TransCanada purchases for use at our facilities. GHG impacts are global, which means reductions in any part of the world will help limit the effects of these emissions on the climate.

**infrastructure deficit**

The growing gap between energy demand and the ability to move that energy from source to consumer safely, securely, and cost-effectively.

**Integrated HSE Management System**

There are two aspects to TransCanada's Integrated HSE Management System: the framework and the continuous improvement cycle.

The system framework is modeled after ISO 14001, an international standard for environmental management systems and is used to capture, organize, and document our company's commitment and expectations when it comes to managing our responsibilities.

Our continuous improvement cycle contains 11 elements, or checkpoints, that we use in addition to the framework.

**liquefied natural gas (LNG)**

Liquefied natural gas is natural gas in its liquid state. As a liquid, natural gas is reduced to one six-hundredth of its original volume, which makes it feasible to transport over long distances in specially designed ocean tankers for storage, re-gasification and delivery to markets.

**multi-stakeholder processes**

Processes that bring together major stakeholders (those with a vested interest) to communicate and make decisions about a particular issue.

**natural gas storage facilities**

Underground caverns across North America used to store natural gas as a means of ensuring a safe and secure supply for domestic and international markets. This extra gas storage capacity also helps to balance seasonal and short-term supply and demand.

**philanthropic gifts**

Intermittent support to a wide range of good causes in response to the needs of charity and community organizations.

**pipeline integrity**

The safe and reliable operation of pipeline infrastructure in conformity with all applicable safety regulations.

**polychlorinated biphenyl (PCB)**

From the 1930s until the 1970s, PCB mixtures were used for a variety of industrial applications. Their use was largely

discontinued in the 1970s because of concerns about their negative environmental impact.

**Polygeneration**

(Bell Plaine)

The Belle Plaine project proposes to convert petroleum coke, a low grade by-product of heavy oil upgrading, into electricity, steam, nitrogen, hydrogen and high pressure CO<sub>2</sub> for industrial uses. It will generate much needed and reliable energy, recycle most of the emissions and help meet greenhouse emission reduction targets.

**reclamation**

The conversion of lands disturbed by oil and gas activities to other productive land uses, usually involving recontouring, establishment of drainage systems, placement of topsoil or plants, and revegetation through planting or seeding.

**re-gasification**

The conversion of liquefied natural gas (see related entry) to its gaseous form.

**remediation**

The removal of contaminants or pollutants from a specific environmental location.

**renewable energy**

Energy derived from sources that are constantly replenished by natural processes such as wind, water, solar and geothermal.

**Sarbanes-Oxley Act**

Sponsored by U.S. Senator Paul Sarbanes and U.S. Representative Michael Oxley, the Sarbanes-Oxley Act of 2002 specifies criminal and civil penalties for noncompliance, certification of internal auditing, and increased financial disclosure. It affects American public companies and non-U.S. companies listed on an American stock exchange.

**social investment**

Strategic involvement in community partnerships that address a specific range of social issues chosen by the company. These programs often support corporate interests and enhance reputation.

**stakeholder**

Someone with a vested interest in the outcome of a decision. TransCanada's key stakeholders include our employees, shareholders, customers, community residents, landowners, Aboriginal peoples, regulators, environmental organizations, industry peers, and business partners.

**traditional knowledge**

Information about the land and its resources that has been collected and handed down from generation to generation among Aboriginal peoples.