



2007

# Corporate Responsibility Report Summary

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

This year has been marked by significant strategic developments and new challenges at TransCanada.

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. On the energy side, we now own, control or are developing 8,300 megawatts of power in Canada and the U.S. These are just some of the many elements of our growth in 2007 and early 2008.

With such growth comes greater responsibility. Responsibility to our investors, to our employees, to the contractors who work with us, to the regulators 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. The challenge of environmental sustainability grows along with our geographical reach.

With this report on corporate responsibility, you'll gain additional insight into the culture of values that underpins our work at TransCanada. We may be in business to reward our investors, but our search for financial success remains firmly grounded in responsible behaviour.

Hal Kvisle  
President and CEO  
June 2008

## Responsible growth from an energy infrastructure leader

At TransCanada, we are proud of our legacy of responsible corporate behaviour. Our goal is to make more progress every year, for we sincerely believe that striving for continuous improvement is part-and-parcel of the responsibility we owe to 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.

## Our responsibility to our stakeholders

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.

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

## How we performed

### Consulting and communicating with stakeholders

In 2007, we planned and successfully implemented stakeholder consultation and communications programs on all of our major projects, including:

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

### Working closely with Aboriginal communities

As many of our projects are near Aboriginal or Native American lands, we have developed a company-wide framework for facilitating our relationships with people of native ancestry.

Based on the principles of our Aboriginal Policy, the framework recognizes constitutional rights (rights of the First Nations, Métis and Inuit), supports education, creates employment, fosters enterprise, and incorporates traditional knowledge into environmental assessments.

In 2007 we:

- Signed seven community agreements in which we recognized and respected 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.
- Focused on educational initiatives through the SAIT in Calgary, the Native Center at the University of Calgary, our partnership with the Pipeline Operators Training Committee, NAIT in Edmonton, Winnipeg's Red River College and Edmonton's Grant MacEwan College. We also 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.
- Spent approximately \$29.1 million on contracts with aboriginal contractors and aboriginal employment through our prime contractors. This has increased significantly from \$4 million in 2003.



## Addressing the needs of landowners

In 2007, we enhanced our approach to dealing with the 55,000 landowners along our rights-of-way:

- As a member of the Canadian Energy Pipeline Association (CEPA), TransCanada participated in the Land Matters Consultation Initiative (LMCI) that addresses issues ranging from company relations with landowners to pipeline decommissioning.
- TransCanada participated in a survey of directly affected landowners 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

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.

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

We enhanced our recruitment and hiring practices and conducted a corporate-wide rewards survey to prioritize compensation, benefits, pension and employment practices.

Finally, we initiated a retirement risk assessment of our field workforce and enhanced our flexible work arrangements to support alternate arrangements for employees nearing retirement.

## Health and safety

The health and safety of the public, our employees and our contractors is paramount.

We deeply regret all accidents and try to anticipate and eliminate hazards in the field and in the office. We also 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. Comprehensive emergency response planning aids in protecting the public from the hazards inherent in pipeline infrastructure and power generation plants.

TransCanada works with 1,500 contractors and subcontractors. We have developed a system to assess and evaluate contractor performance. In 2007, 414 contractor pre-qualifications were completed, of which 285 were approved.

## Minimizing work-related health risks

Our Health and Industrial Hygiene programs identify and implement controls to manage work-related risks affecting employees and contractors.

In 2007 we focused on:

- Respiratory diseases;
- Back injury prevention in conjunction with our Fatigue Management Program;
- An Active Living program to encourage TransCanada employees to engage in and maintain healthy living;
- Providing more information on seven key health areas affecting TransCanada employees.

# Corporate Responsibility 2007

## Investing in Communities

TransCanada invests significantly in the communities where we live, work and operate. Our community investment program focuses on five areas:

- Civic Investment
- Education
- Environment
- Health
- Human Services

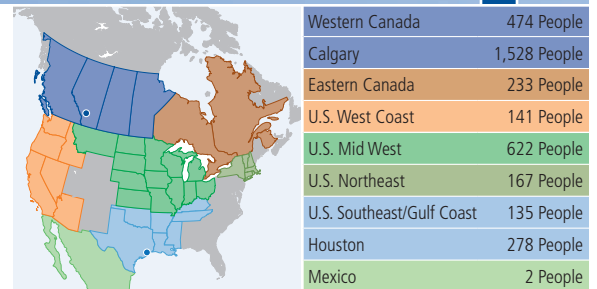
In 2007, we distributed more than \$6 million in financial and in-kind donations to communities across North America.

## Just the Numbers

- Total employees: ~3,600
- Canadian employees: ~2,240
- U.S. employees: ~1,360
- In-house contractors: ~ 1,000

## New Employees

- Expected hiring of 500 employees per year for the foreseeable future; including replacements due to retirements and departures, and some increase in total employees due to growth.
- 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 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.



## Safety

*Vehicle Incident Frequency (VIF)* refers to the number of recordable vehicle incidents recorded for every 1,000,000 kilometres that our employees drive. 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.

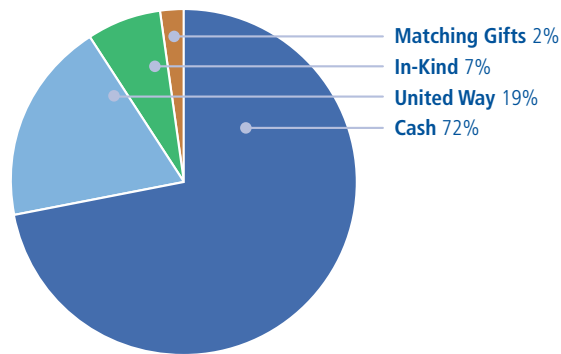
The *Total Recordable Case Rate (TRCR)* refers to the number of recordable cases per 100 full-time employees. On average in 2007, TransCanada experienced one workplace injury for every 90 person-years worked, or approximately 2.5 times better than the industry average in Canada of one medical injury for every 35.6 person-years worked.

The *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.

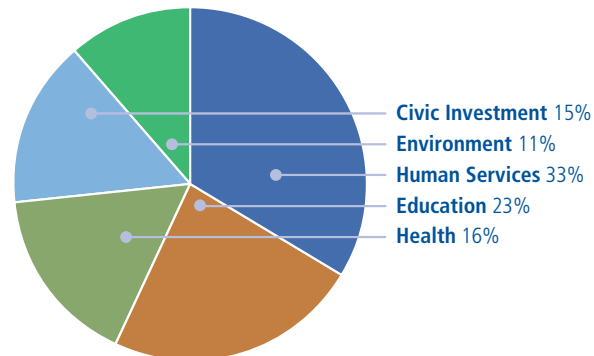
## Community Investment

- Total Giving for 2007 (cash and in-kind): \$6,141,094

### How We Contribute



### What We Support



## Our responsibility to the environment

As one of North America's leading energy infrastructure companies, we are vigilant about minimizing the environmental impacts of our operations while meeting our obligation to address energy demand across the continent.

In practice, this means that we strive for environmental sustainability in all that we undertake, mitigate negative effects, and comply with all regulatory requirements.

Our Integrated Health, Safety and Environment (HSE) Management System framework, which incorporates what we call a Continuous Improvement Cycle, is the main tool we use to address environmental issues. It is holistic in scope, based in risk management, and implemented across the entire company. In addition, we track our progress in managing greenhouse gases and air emissions.

## How we performed

- We conducted environmental assessments on numerous major projects in accordance with regulatory requirements and accepted management practices. Based on these assessments, we developed detailed Environmental Protection Plans that outline measures our contractors followed during construction.
- Throughout construction of all major pipeline projects, we employed independent environmental inspectors to aid with compliance on our environmental protection plans.
- After construction, we undertook reclamation activities on 24 pipeline projects and 16 meter station sites.
- We developed compliance calendars and manuals for our Canadian assets. These are a comprehensive source of environmental information for facilities.
- We conducted numerous Phase II Environmental Site Assessments as part of our Canadian Contaminant Sampling and Delineation (CSD) program, a risk-based program that focuses on investigation of legacy contamination issues.
- 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.

- We revamped our regulatory tracking and monitoring process to help us capture all pending regulatory changes in jurisdictions where we conduct business.
- We are developing a comprehensive environmental risk management tool that will include the analysis of Canadian compressor stations.
- TransCanada also participated in several collaborative research projects that help us understand wildlife and the impact our activities have on their habitats.

## Greenhouse Gases

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

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

- The use of high-strength steel in pipeline operations reduced fuel consumption and related GHG emissions.
- A prototype of the Supersonic Ejector has been successfully tested at one of our compressor stations to capture emissions in a commercial environment.
- TransCanada 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.



- TransCanada's outage decision model (ODM) played a major role in minimizing the number of methane release events required when pipelines are shut down for repairs or new connections.

See the full Corporate Responsibility Report at [www.transcanada.com](http://www.transcanada.com) for more information.

## Spills

In 2007, we had a total of 152 'Minor' spills. Most were due to equipment-related leaks of hydraulic oil, lube oil, glycol and fuel typically of low volume (less than five litres). Only eight TransCanada spills and one third-party spill exceeded legislative reporting criteria and were thus reportable to a regulatory agency. See the full Corporate Responsibility Report at [www.transcanada.com](http://www.transcanada.com) for more information.

## Environmental Non-Compliance

Environmental non-compliances include incidents of non-compliance with government regulations, permits and directives as well as non-conformances with TransCanada internal procedures. TransCanada's internal procedures either meet or exceed legislative requirements.

In 2007, TransCanada recorded 23 company non-compliances and non-conformances. Of these, 21 were 'Minor'. There was one 'Serious' non-compliance, which is a regulation/code infraction or variance from company procedure that may result in detrimental impact to the environment and/or result in investigation by a regulatory agency. Only a single incident was classified as 'Major', meaning it is an incident that may result in detrimental impact to the environment. This non-compliance was a permit exceedence for nitrogen oxides noted during quarterly testing at a compressor station.

## Our responsibility to shareholders

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 45 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.

## How we performed

### Our Code of Business Ethics

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

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.

### 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.

External auditors reviewed our process and determined that TransCanada maintained effective internal control over its 2007 financial reporting in accordance with SOX.

## Responsible risk management

TransCanada developed a Business Continuity Policy and Program outlining how critical business functions will continue or resume in a manner that appropriately mitigates the risk created by a disruption. In addition, 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.

## Addressing the infrastructure deficit

We see ourselves as a company with the talent, the resources, and the determination to make a significant contribution to addressing the discrepancy between energy demand and the capacity of existing infrastructure to meet that demand.

## 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

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 Pipeline Company and ANR Storage Company (ANR). This added 17,000 kilometres (10,600 miles) of pipeline and 235 billion cubic feet of natural gas storage capacity to our portfolio. 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 from Western Canada.
- We achieved several significant milestones on Keystone, the 3,456-kilometre (2,148-mile) pipeline 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.
- 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 will 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.
- 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 550 megawatt (MW) Portlands Energy Centre (PEC), a partnership between Ontario Power Generation and TransCanada to provide electricity to Toronto.
- In December 2007, we started construction on the Halton Hills Generating Station, west of Toronto is a 683 MW natural gas-fired power plant.

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.
- Our proposed Belle Plaine polygeneration facility in Saskatchewan would 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.

Disappointing developments:

- We re-evaluated the Cacouna LNG import project from a timing, supply and cost perspective;
- In March 2008, the U.S. Federal Energy Regulatory Commission authorized construction and operation of the Broadwater Energy liquefied natural gas (LNG) project. Thereafter, the New York State Department of State (NYS DOS) 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 is appealing the decision.

## Just the numbers

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. For further financial details, see our 2007 Annual Report.

## At-A-Glance

### 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.
  - Improved overall safety performance by approximately 25 per cent in 2007, compared to 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.
  - Had excellent financial performance; grew total assets by \$4.4 billion.
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- 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.



# Corporate Responsibility 2007

## **TransCanada:** providing North America's energy infrastructure

Each day, TransCanada moves 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.

We are also an independent power producer, and own, control or are developing 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 advantage

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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.

For the full Corporate Responsibility Report please visit [www.transcanada.com](http://www.transcanada.com)

