

Delivering on our Promises



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“In business to deliver” — that’s the tagline TransCanada has used on annual reports and other corporate materials for years.

Most readers have assumed the tagline refers to our disciplined approach to operating a transcontinental energy network that provides reliable, safe and secure service to North Americans every day of the week. While it certainly does point to our operational knowledge and skill, we have always believed it says a great deal about how seriously we take our responsibility toward all stakeholders.

TransCanada is a trusted and respected company because we deliver on our promises. Those promises include more than reliable energy delivery, important as that is in a world of ever increasing demands. They also reflect our commitment to delivering solid financial results year after year, to ensuring our employees and contractors work safely, to designing and implementing environmental protection plans based on an uncompromising

ethic of stewardship, and to nurturing and maintaining relationships with communities and landowners based on mutual respect, trust and benefit. That’s a big commitment, but we are up to the challenge.

Such corporate ideals are needed more than ever today. Recent events ranging from the Macondo explosion in the Gulf of Mexico to the Kalamazoo River oil spill in Michigan have shaken public confidence in our industry. At TransCanada, we have both the experience and the resources to address rising stakeholder expectations. And that is exactly what we intend to do as we continue to keep millions of North American homes warm and well-lit in the decades ahead.

Our ambition is to become North America’s leading energy infrastructure company. In 2010, we achieved many things along the road



A MESSAGE FROM PRESIDENT AND CEO RUSS GIRLING



to that goal. We are now about halfway to completion of a \$20 billion capital investment program that includes a number of attractive, low-risk pipeline and power generation projects in Canada, the United States and Mexico. Many of these have commenced reliable and safe operations in the past 12 months. We have additional high quality, contracted projects that will be completed in the next two to three years, projects that will deliver reliable energy to our customers for many decades to come.

Importantly, we are realizing these financial ambitions while maintaining our longstanding commitment to stewardship of the natural environment. We continue to strive for industry leading energy and emissions management in all our operations, and to employ the most advanced methods of ensuring pipeline integrity and public safety. Our promise of support for such goals is unequivocal and unwavering.

That support finds expression in both large and small initiatives. Through our Technology

Management Group, for example, we invest significantly in advanced technologies such as high resolution in-line inspection tools and high strength steels that greatly reduce the chance of failures along our pipeline systems. We also share many of these findings with our peers in the hope of enhancing the environmental performance of the entire industry.

On the other end of the scale, we continue to stand behind initiatives that support biodiversity on the continent. For example, we are avid supporters of a program that sustains the woodland boreal caribou in northern Canada and another that protects the wetland breeding grounds that are essential to the recovery of the Trumpeter Swan population. From our point of view, every habitat matters.

The success of these and other corporate ventures depends on the talent and dedication of over 4,200 employees and contractors. I am extremely proud of them. They undertake their jobs with skill, discipline and unflinching commitment. ➤

At TransCanada, you can count on us —
not just to listen but also to do the right
thing without being told.





In the process, they become the highly respected public face of our company. They are the reason we have earned the regard, and often the friendship, of more than 55,000 North American landowners. Their day-to-day efforts make it possible for TransCanada to contribute successfully to the creation of community jobs, opportunities and economic sustainability across North America.

Their efforts engender a sense of trust among our many stakeholders, whether on farms, in towns and cities, or in Aboriginal and Native American communities. Our promise to build and maintain that trust relies on an attitude of transparency with regard to the information stakeholders need to make informed decisions and a genuine respect for their points of view, however different from our own.

This year we dealt effectively with matters ranging from aesthetic concerns to safety issues to the question of transcontinental energy security. In every case, we worked hard to balance stakeholder perspectives on the environment and quality of life with an ever-increasing demand for energy.

And because even good efforts can always be improved, we have invested in a thorough reassessment of our stakeholder engagement process. Working closely with practitioners from across the corporation, we have established a corporate Stakeholder Engagement Framework. We are determined to be even more effective in meeting public and regulatory needs and concerns in the years ahead.

We endeavour to make good on our promises because we are a company of high ideals. In this report, you'll read more about the nature of those ideals and learn something about the many ways in which we try to keep our word to all whose lives we touch. If we sometimes fall short, we trust you will let us know. Together, we know we can find a solution that works and is fair to everyone.

At TransCanada, you can count on us — not just to listen but also to do the right thing without being told. ■



Delivering Growth

INVEST STRATEGICALLY | MANAGE SUSTAINABLY | ACT RESPONSIBLY



TransCanada continues to deliver the excellent financial performance that our shareholders have associated with the company for more than 60 years.

Our capital program: halfway to completion

We have reached the mid-point in a \$20 billion capital development program that will position us favourably as North America's leading energy infrastructure company. Our \$47 billion asset base includes 60,000 kilometres (37,000 miles) of natural gas pipelines, 19 power plants, 380 Bcf of natural gas storage capacity, and 6,100 kilometres (3,800 miles) of oil pipeline either operating or in development. We operate in seven Canadian provinces, 31 U. S. States, and in Mexico.

During the summer our largest and most ambitious project — the Keystone pipeline — began to move oil to Illinois refineries. The next step in this \$13 billion undertaking is the U.S. Gulf Coast Expansion (Keystone XL), whose completion will yield unprecedented energy security, employment and economic benefits to Canada and the United States.

Expanding our existing infrastructure

The growth of our pipeline network continued with developments that will connect shale gas, conventional gas, and liquefied natural gas and, over the longer term, northern gas to growing continental markets. Projects just completed or underway include:

- North Central Corridor natural gas pipeline in central Alberta to add capacity for gas supplies from northwestern Alberta and northeastern British Columbia;
- Groundbirch, a pipeline that connects the Alberta System to the Montney shale gas play in northeastern British Columbia;
- Horn River pipeline to transport British Columbia shale gas;
- Bison pipeline to carry natural gas from Wyoming to the Northern Border pipeline system in North Dakota; and



FINANCIAL HIGHLIGHTS OF 2010

Net Income Applicable to Common Shares

- \$1.2 billion or \$1.78 per share

Comparable Earnings

- \$1.4 billion or \$1.97 per share

Comparable Earnings before Interest, Taxes, Depreciation and Amortization

- \$3.9 billion

Funds Generated from Operations

- \$3.3 billion

Capital Expenditures

- \$5.0 billion invested in core businesses

Common Share Dividends Declared

- \$1.60 per share

For additional detail on TransCanada's financial performance in 2010, see our Annual Report at www.transcanada.com.

- Guadalajara pipeline, designed to transport liquefied natural gas from Manzanillo to Guadalajara, Mexico's second largest city.

In terms of conventional power generation, our company is particularly active in Ontario and Arizona. This year we commissioned the Halton Hills natural gas fired generating station near Toronto. In Arizona, we began operation of a 575-megawatt natural gas fired peaking power generation station at Coolidge that can provide electricity for 575,000 homes.

TransCanada remains active in the field of wind power generation, which is growing at an annual rate of about 30 per cent globally. In Quebec, we continued work on two new wind farms that will be operational by 2012. In Maine, our \$350 million Kibby wind Project — New England's largest — began operations to supply as many as 50,000 homes with electricity.

Refurbishment of Units 1 and 2 of Ontario's Bruce Power nuclear facility continued in 2010. Commissioning is expected to begin in 2011 and be complete by 2012. Once refurbishment is complete, Bruce Power will be the second largest nuclear power plant in the world.

Financial strength, fiscal prudence

TransCanada continues to achieve significant growth in these challenging economic times by focusing on businesses we know — pipelines and power generation — in regions where we have a competitive advantage or are able to develop one. It is a fiscally prudent strategy that ensures financial strength and stability, while giving us the flexibility we need to fund the capital program and future growth. This is an essential element of risk management at TransCanada.

Once the projects comprising our current capital program are completed, they will drive long-term growth in earnings, cash flow and dividends. As a result, TransCanada will continue to fulfill its responsibility to shareholders by delivering the predictable and stable financial performance that is its hallmark. ■



Delivering Stewardship

MINIMIZE IMPACTS | MANAGE EMISSIONS | FOSTER INNOVATION



At TransCanada, we recognize the importance of stewardship of the environment as we strive to meet the energy needs of North Americans.

Protecting the environment

Every TransCanada project includes an environmental protection plan that identifies potential negative effects and corresponding actions we can take to reduce or eliminate those impacts.

In the spring of this year, for example, we were pleased to be recognized by the U. S. Fish and Wildlife Service for our efforts to preserve the endangered Karner Blue Caterpillar butterfly species. Some 128 kilometres (80 miles) of our ANR Pipeline right-of-way in Wisconsin lie beneath one of the butterfly's crucial wild lupine habitats. For years our pipeline technicians have identified patches of wild lupine along the right-of-way and enforced strict guidelines with regard to construction and maintenance. Gradually, TransCanada's vigilance attracted the attention and co-operation of 40

major landowners in the same area. As a result, the Karner Blue population is now stable and the world understands a great deal more about its habitat and life cycle.

On a larger scale, we continued to address environmental challenges like global climate change. The strategy for managing our greenhouse gas emissions includes:

- Increasing the energy efficiency of our facilities through improved systems design and operation;
- Installing new, high-efficiency compressors and turbines when adding or replacing equipment to reduce pipeline energy consumption; and
- Assessing and implementing new technologies and processes that reduce emissions intensities at our facilities.



Managing our environmental risks

Despite our best efforts, there are times when we must clean up after ourselves. This year TransCanada had 53 reportable spills. Eighty-seven per cent of these involved fewer than 100 litres; with one exception all involved fewer than 1,000 litres. This was a 91,000-litre kerosene spill on land at the Ravenswood Power Station. External corrosion of a supply line from the kerosene storage tank to the plant caused this spill. We immediately isolated the piping and began the clean up by designing, approving and installing additional oil recovery systems to recover the kerosene.

It is important to note that none of the spills occurred underground on our pipeline system. The number of reportable spills is up from previous years due to increased regulatory spill reporting requirements and the large number of construction projects that TransCanada undertook. All spills were immediately contained and cleaned up and posed no threat to the environment.

We are responsible for what is called legacy contamination; that is, contamination at older sites where less strict environmental guidelines or regulations once applied. We remain responsible for such impacts until they are remediated and the site is reclaimed.

We manage these issues in keeping with our general commitment to meet or exceed all applicable laws and regulations.

Investing in responsible technologies

TransCanada continually looks for ways to improve our business. In our power business, for example, we use highly efficient cogeneration technology whenever possible. We also undertake research and development work that strives to reduce energy consumption and protect the environment. In 2010 we spent more than \$6 million on technological research and development that reduces environmental impacts.

TransCanada assesses new technologies and processes that improve energy efficiency or help to manage our emissions. One such program is the testing of a supersonic injector that captures methane emissions from dry gas seals. Captured methane is added to the fuel gas required to operate the turbines that drive gas through the pipeline. This process builds on earlier dry gas seal technology pioneered by TransCanada that improved the efficiency of the seal, reducing gas leaks, and eliminating oil and grease spills. We have now reached an agreement with a major compressor manufacturer to commercialize and market our patented technology. ■

Delivering Trust

ENGAGE WITH RESPECT | ENSURE HEALTH AND SAFETY | INVEST IN THE FUTURE





TransCanada is committed to listening to our stakeholders — those who affect or may be affected by our business activities.

Redefining stakeholder engagement

Stakeholders expect to be heard, and to have their views considered, when we are planning new projects or altering existing facilities. Similarly, those who regulate our industry expect project proponents like TransCanada to incorporate stakeholder perspectives into their planning and their long-range operations. All aspects of our relationship with stakeholders take these important expectations into consideration.

We accommodate these needs through a transparent process that we call our Stakeholder Engagement Process. Focused on the early release of project information and the solicitation of stakeholder feedback, the process provides the public with a clear understanding of our intentions and the opportunity to have multiple perspectives considered and evaluated before any final project decisions are made. As TransCanada customarily develops long-term projects, we are determined to start our relationship off on the right foot and keep it that way throughout the lifecycle of the facility. Our approach has always worked well and we are now refining it to enhance stakeholder engagement even more.

Our Halton Hills project — a natural gas fired power plant in Ontario — is a good example of our stakeholder engagement in action. Local residents were concerned about the project's impact on their quiet rural setting. We told them the construction phase would bring noise, traffic and dust, but that the disruption would be temporary. We also notified them in advance of project events to eliminate surprises. Then, with local representatives, we established a Community Liaison Committee to optimize the flow of information. And when we received complaints, we responded quickly and to the point in order to resolve matters. As the project continued, residents came to see TransCanada as a responsible and respectful member of the community. ➤

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Striving to be a good neighbour

This year, we found ourselves working alongside Aboriginal communities in northwestern Canada, Native American tribes across the northern United States, and rural and urban residents in regions as diverse as Arizona and northeastern British Columbia.

We spent a great deal of time discussing our Keystone Pipeline Project, which spans much of western Canada and the U. S. Midwest. Through vehicles as different as one-on-one discussions and dedicated project websites, we talked about issues ranging from landowner compensation to continental energy security and from environmental impacts to public safety.

With regard to these issues and more, our team has consistently provided clear, honest answers to all interested parties for several years in one of the largest public consultation initiatives we have undertaken in North America. In every case, we spare no effort to explain the extraordinary measures TransCanada routinely takes to ensure responsible development and operation.

Sometimes, our respect for local communities requires us to make difficult corporate decisions. Such was the case this year in northeastern Alberta, where our company and ATCO Power have spent five years studying development of the renewable hydro-electric potential of the Slave Rapids just south of the Northwest Territories border. While that potential is significant, its development depends on reaching agreement with local communities. When, after many months of discussions, we were unable to resolve outstanding differences with the members of Smith's Landing First Nation, TransCanada and ATCO Power announced that they would not proceed with the project. It was the appropriate response.

TransCanada wants to be considered an active, responsible member of every community where our employees live and work. Commendably, our employees often respond with concern to community matters that have no direct connection to our operations. In Jaffray, British Columbia, an eight-year old was killed in 2010 when hit by a car while riding his bicycle with friends along Jaffray Baynes Lake Road. Our employees know this road well, as it is their access



route to our Elko Compression Station. To prevent another tragedy, they pooled their community investment funds to build and maintain a safe off-road trail for walkers and bicyclists. It is called Dawson's Path.

Building better communities

TransCanada employees are known across the continent for their spirit of voluntarism. Fully 70 per cent of them routinely volunteer in their communities, bringing their talents, resources and commitment to causes that truly make a difference in our world. Their selfless contributions to disaster relief in Haiti, Mexico, Chile, the United States and Canada this year are all cases in point.

Our company supports and augments their personal initiatives through a Matching Gifts Program and, more broadly, through our Community Investment Program. The latter focuses on building strong relationships with not-for-profit organizations that will result in a positive change to the local quality of life. We focus on education and lifelong learning opportunities in the areas of civic investment,

education, environment, and health and human services. In 2010 we supported causes that included Oregon's "Get a Vet to the Vancouver 2010 Paralympic Winter Games", scholarships for Mexican students, and forestry and environmental skills training for youth from the Fort Nelson First Nation.

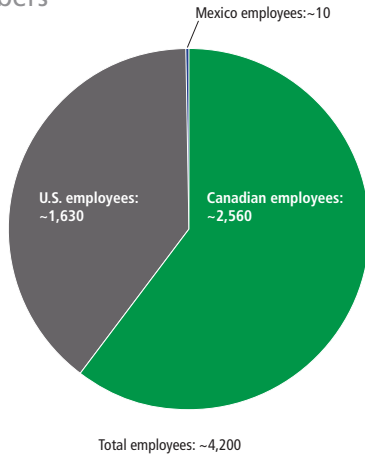
TransCanada invests directly in our employees as well. We not only provide them with competitive compensation, but also support initiatives that foster cultural diversity, employment equity, the acquisition of leadership skills, and healthy living at work and at home. In 2010 these measures led to third-party recognition of TransCanada for its diversity programs, its assistance to new Canadians, and its positive overall work atmosphere.

We were especially pleased to learn from the Canada's Top 100 Employers survey that 94 per cent of our employees are proud to work here, compared to the Canadian average of 66 per cent. Investing in the professional development and overall well being of our employees is, in our view, a solid investment in the future of TransCanada. ■

Just the Numbers

SOCIAL METRICS

Numbers



New employees

- New hires in 2010: 347
- Voluntary turnover: approximately 3.3 per cent in 2010

Donations

- Total Community Investment cash donations: \$11,445,647
- Total In-Kind donations: \$168,353

ENVIRONMENTAL METRICS

Reportable Spills

2010	53
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Greenhouse Gas Emissions

SOURCE	MILLIONS METRIC TONNES
Canada – Pipelines	3.6
Canada – Power Generation	2.6
U.S. – Pipelines	4.0
U.S. – Power Generation	2.6
TOTAL	12.8

Air Emissions

Air emissions are an ordinary by-product of TransCanada’s business operations. We use turbine engines to compress gas and move it through our pipelines. Some of our facilities utilize electrical energy, while others use natural gas to fuel the turbine engines. Our simple

cycle, combined cycle and co-generation power facilities also use natural gas to fuel their turbines. As a result, these facilities generate nitrous oxide emissions. Consequently, we manage air emissions by operating our facilities in a manner that meets the stringent air quality guidelines and requirements of the various jurisdictions in which we operate.

Greenhouse Gases

TransCanada’s commitment to better air quality and the management of greenhouse gas emissions is well known. For more than a decade, we have managed energy efficiency across the entire company. These efforts have included the reduction of pipeline energy consumption through the installation of high-efficiency compressors and turbines. We’ve also managed methane loss from our pipeline system by adopting advanced welding techniques, industry leading fugitive emissions management, minimization of venting and blowdowns and optimization of pipeline operation and outages.

Water management

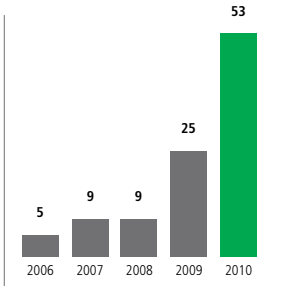
TransCanada adheres to strict government requirements to ensure water quality is not compromised. Within our energy assets, water requirements are always considered early in the design process. The use of water for cooling and for helping reduce air emissions, the interplay of technology and local requirements are among the key considerations. Our power facilities are designed to use minimal volumes of water and, whenever possible, to recycle it safely back into the environment.

Waste Management

Although TransCanada’s facilities do not generate large quantities of waste, we have a comprehensive hazardous materials and waste management program tailored to our operations. The program prescribes the conditions for responsible management of hazardous materials and wastes throughout the full life cycle of our facilities.

Spills

TransCanada reports all company and third-



party spills. We document even minor spills to identify areas where we could improve our performance. We respond to all spills to ensure

proper clean-up and to minimize any potential for a negative impact to the environment.

The number of reportable spills is up from previous years due to increased regulatory spill reporting requirements and the large number of construction projects that TransCanada undertook.

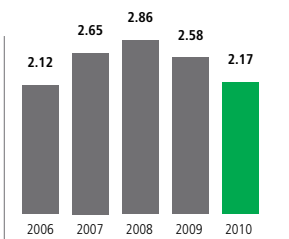
Habitat conservation across North America

TransCanada mitigates its impacts on the environment and helps to sustain natural biodiversity. We accomplish this by involving environmental specialists on every project we develop, by working closely with governmental and environmental organizations and by contributing to leading-edge scientific research and policy development. Our work routinely includes research and mitigation projects related to fisheries, birds, wildlife habitats and vegetation.

SAFETY METRICS

Vehicle Incident Frequency – 2.17

Vehicle Incident Frequency is the number of recordable vehicle incidents recorded for every 1,000,000 kilometres that our employees drive. A recordable vehicle incident is any incident

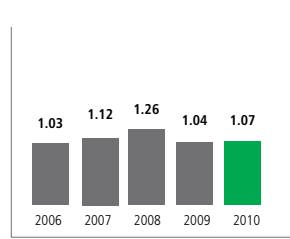


(regardless of fault) involving a fleet or rental motor vehicle which results in an injury to any person or damage to any vehicle or

property, unless the vehicle was safely and legally parked at the time of the incident. On average in 2010, TransCanada experienced one incident every 459,981 kilometres traveled. This is better than the most recent 2010 industry average for Canada of one incident for every 376,365 kilometres.

Total Recordable Case Rate – 1.07

The Total Recordable Case Rate refers to the number of recordable cases per 100 full-time

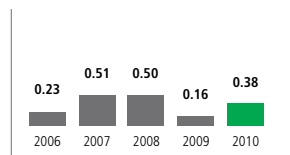


employees. On average in 2010, TransCanada experienced one recordable case every 93 person-years worked, better than the

most recent 2010 industry average for Canada of one recordable case every 130 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. As well as injuries requiring only minor medical treatment, 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 Rate – 0.38

The Away from Work Case Rate 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 231 person-years of work for every reported case, or better than the most recent 2009 industry average for Canada of one away-from-work case every 305 person years worked.

BUSINESS METRICS

For detailed information on TransCanada's financial performance in 2010, please refer to Annual Report at www.transcanada.com

Read the full report at www.transcanada.com/social/responsibility/2010

TRANSCANADA:
DELIVERING ON OUR PROMISES

In business for more than 50 years, TransCanada is a North American leader in the responsible development and reliable operation of energy infrastructure. Our assets include natural gas and oil pipelines, power generation and gas storage facilities.

TransCanada's network of wholly owned natural gas pipelines extends more than 60,000 kilometres (37,000 miles) and taps almost every major gas supply basin in North America. We are also one of the continent's largest providers of gas storage and related services with approximately 380 billion cubic feet of storage capacity.

We are also developing innovative and strategic pipeline solutions that will transport Canadian crude oil, as well as U.S. domestic crude oil, to key U.S. markets in the Midwest and U.S. Gulf Coast. Deliveries via our Keystone System, which currently has the capacity to deliver up to 590,000 bpd of Canadian crude oil into important North American refining markets, began in the summer of 2010.

As Canada's largest private sector generator of electricity, we produce or are developing close to 11,000 megawatts of power in Canada and the United States – enough to meet the needs of 11 million homes.

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