

TRANSCANADA PIPELINES LTD  
Form 40-F  
February 26, 2009

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## U.S. Securities and Exchange Commission

Washington, D.C. 20549

### Form 40-F

**REGISTRATION STATEMENT PURSUANT TO SECTION 12 OF  
THE SECURITIES EXCHANGE ACT of 1934**

OR

**ANNUAL REPORT PURSUANT TO SECTION 13(a) OR 15 (d) OF  
THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended **December 31, 2008** Commission File Number **1-8887**

## TRANSCANADA PIPELINES LIMITED

(Exact Name of Registrant as specified in its charter)

### Canada

(Jurisdiction of incorporation or organization)

**4922, 4923, 4924, 5172**

(Primary Standard Industrial Classification Code Number (if applicable))

**Not Applicable**

(I.R.S. Employer Identification Number (if applicable))

**TransCanada Tower, 450 - 1 Street S.W.**

**Calgary, Alberta, Canada, T2P 5H1**

**(403) 920-2000**

(Address and telephone number of Registrant's principal executive offices)

**TransCanada Northern Border Inc., 13710 FNB Parkway**

**Omaha, Nebraska, 68154-5200; (877) 290-2772**

(Name, address (including zip code) and telephone number (including area code)  
of agent for service in the United States)

Securities registered pursuant to section 12(b) of the Act: **None**

Securities registered pursuant to Section 12(g) of the Act: **None**

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: **None**

For annual reports, indicate by check mark the information filed with this Form:

Annual Information Form

Audited annual financial statements

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Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report.

**At December 31, 2008, 4,000,000 Cumulative Redeemable First Preferred Shares Series U  
and 4,000,000 Cumulative Redeemable First Preferred Shares Series Y  
were issued and outstanding  
All of the Registrant's common shares are owned by TransCanada Corporation**

Indicate by check mark whether the Registrant by filing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934 (the "Exchange Act"). If "Yes" is marked, indicate the file number assigned to the Registrant in connection with such Rule. Yes  No

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the preceding 12 months (or such shorter period that the Registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes  No

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The documents (or portions thereof) forming part of this Form 40-F are incorporated by reference into Registration Statement on Form F-9 (File No. 333-154961) under the *Securities Act of 1933*, as amended.

### AUDITED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS AND MANAGEMENT'S DISCUSSION & ANALYSIS

#### A. Audited Consolidated Annual Financial Statements

For audited consolidated financial statements, including the report of the independent chartered accountants, see pages 78 through 130 of the TransCanada PipeLines Limited ("TCPL") 2008 Management's Discussion and Analysis and Audited Consolidated Financial Statements included herein. See the related supplementary note entitled "Reconciliation to United States GAAP" for a reconciliation of the differences between Canadian and United States generally accepted accounting principles, including the auditors' report, attached as document 13.4.

#### B. Management's Discussion & Analysis

For management's discussion and analysis, see pages 2 through 77 of the TCPL 2008 Management's Discussion and Analysis and Audited Consolidated Financial Statements included herein.

For the purposes of this Report, only pages 2 through 77 and 78 through 130 of the TCPL 2008 Management's Discussion and Analysis and Audited Consolidated Financial Statements shall be deemed incorporated herein by reference and filed, and the balance of such 2008 Management's Discussion and Analysis and Audited Consolidated Financial Statements, except as otherwise specifically incorporated by reference in the TCPL Annual Information Form, shall be deemed not filed with the U.S. Securities and Exchange Commission (the "Commission") as part of this Report under the *Exchange Act*.

#### C. Management's Annual Report on Internal Control Over Financial Reporting

For information on management's internal control over financial reporting, see:

- i. "Report of Management" included in TCPL's Audited Consolidated Financial Statements on page 78;
- ii. the section entitled "Management's Annual Report on Internal Control Over Financial Reporting" under the heading "Controls and Procedures" in Management's Discussion and Analysis on page 64 of the TCPL 2008 Management's Discussion and Analysis and Audited Consolidated Financial Statements; and
- iii. Management's Report on Internal Control Over Financial Reporting attached as document 13.5.

### UNDERTAKING

The Registrant undertakes to make available, in person or by telephone, representatives to respond to inquiries made by the staff of the Commission, and to furnish promptly, when requested to do so by the Commission staff, information relating to: the securities registered pursuant to Form 40-F; the securities in relation to which the obligation to file an Annual Report on Form 40-F arises; or transactions in said securities.

### DISCLOSURE CONTROLS AND PROCEDURES

For information on disclosure controls and procedures, see "Controls and Procedures" in Management's Discussion and Analysis on page 64 of the TCPL 2008 Management's Discussion and Analysis and Audited Consolidated Financial Statements.

#### **AUDIT COMMITTEE FINANCIAL EXPERT**

The Registrant's board of directors has determined that it has at least one audit committee financial expert serving on its audit committee. Mr. Kevin E. Benson has been designated an audit committee financial expert and is independent, as that term is defined by the New York Stock Exchange's listing standards applicable to the Registrant. The Commission has indicated that the designation of Mr. Benson as an audit committee financial expert does not make Mr. Benson an "expert" for any purpose, impose any duties, obligations or liability on Mr. Benson that are greater than those imposed on members of the audit committee and board of directors who do not carry this designation or affect the duties, obligations or liability of any other member of the audit committee.

#### **CODE OF ETHICS**

The Registrant has adopted codes of business ethics for its President and Chief Executive Officer, Chief Financial Officer, Controller, directors, employees and contractors. The Registrant's codes are available on its website at [www.transcanada.com](http://www.transcanada.com). No waivers have been granted from any provision of the codes during the 2008 fiscal year.

#### **PRINCIPAL ACCOUNTANT FEES AND SERVICES**

For information on principal accountant fees and services, see "Corporate Governance Audit Committee External Auditor Service Fees" and "Corporate Governance Audit Committee Pre-Approval Policies and Procedures" on page 25 of the TCPL 2008 Annual Information Form.

#### **OFF-BALANCE SHEET ARRANGEMENTS**

The Registrant has no off-balance sheet arrangements, as defined in this Form, other than the guarantees and commitments described in Note 24 of the Notes to the Audited Consolidated Financial Statements attached to this Form 40-F and incorporated herein by reference.

#### **TABULAR DISCLOSURE OF CONTRACTUAL OBLIGATIONS**

For information on Tabular Disclosure of Contractual Obligations, see "Contractual Obligations" in Management's Discussion and Analysis on page 50 of the TCPL 2008 Management's Discussion and Analysis and Audited Consolidated Financial Statements.

#### **IDENTIFICATION OF THE AUDIT COMMITTEE**

The Registrant has a separately-designated standing Audit Committee. The members of the Audit Committee are:

Chair: K.E. Benson  
Members: D.H. Burney  
P. Gauthier  
P.L. Joskow  
J.A.  
MacNaughton  
D.M.G. Stewart

**FORWARD-LOOKING INFORMATION**

This document, the documents incorporated by reference, and other reports and filings made with the securities regulatory authorities may contain certain information that is forward-looking and is subject to important risks and uncertainties. The words "anticipate", "expect", "believe", "may", "should", "estimate", "project", "outlook", "forecast" or other similar words are used to identify such forward looking information. Forward-looking statements in this document are intended to provide TCPL's shareholders and potential investors with information regarding TCPL and its subsidiaries, including management's assessment of TCPL's and its subsidiaries' future financial and operational plans and outlook. Forward-looking statements in this document may include, among others, statements regarding the anticipated business prospects and financial performance of TCPL and its subsidiaries, expectations or projections about the future, strategies and goals for growth and expansion, expected and future cash flows, costs, schedules, operating and financial results and expected impact of future commitments and contingent liabilities. All forward looking statements reflect TCPL's beliefs and assumptions based on information available at the time the statements were made. Actual results or events may differ from those predicted in these forward-looking statements. Factors that could cause actual results or events to differ materially from current expectations include, among others, the ability of TCPL to successfully implement its strategic initiatives and whether such strategic initiatives will yield the expected benefits, the operating performance of the Company's pipeline and energy assets, the availability and price of energy commodities, regulatory processes and decisions, changes in environmental and other laws and regulations, competitive factors in the pipeline and energy sectors, construction and completion of capital projects, labour, equipment and material costs, access to capital markets, interest and currency exchange rates, technological developments and the current economic conditions in North America. By its nature, forward-looking information is subject to various risks and uncertainties, which could cause TCPL's actual results and experience to differ materially from the anticipated results or other expectations expressed. The Company's material risks and assumptions are discussed further in TCPL's Management's Discussion and Analysis filed as document 13.2 hereto including under the headings "Pipelines Opportunities and Developments", "Pipelines Business Risks", "Energy Opportunities and Developments", "Energy Business Risks" and "Risk Management and Financial Instruments". Additional information on these and other factors is available in the reports filed by TCPL with Canadian securities regulators and with the Commission. Readers are cautioned not to place undue reliance on this forward-looking information, which is given as of the date it is expressed in this document or otherwise, and to not use future-oriented information or financial outlooks for anything other than their intended purpose. TCPL undertakes no obligation to update publicly or revise any forward-looking information, whether as a result of new information, future events or otherwise, except as required by law.

**SIGNATURES**

Pursuant to the requirements of the *Exchange Act*, the Registrant certifies that it meets all of the requirements for filing on Form 40-F and has duly caused this Annual Report to be signed on its behalf by the undersigned, thereto duly authorized, in the City of Calgary, Province of Alberta, Canada.

**TRANSCANADA PIPELINES LIMITED**

Per: /s/ GREGORY A. LOHNES

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GREGORY A. LOHNES  
*Executive Vice-President and Chief Financial  
Officer*

Date: February 26, 2009

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**DOCUMENTS FILED AS PART OF THIS REPORT**

- 13.1 TCPL's Annual Information Form for the year ended December 31, 2008.
- 13.2 Management's Discussion and Analysis (included on pages 2 through 77 of the TCPL 2008 Management's Discussion and Analysis and Audited Consolidated Financial Statements).
- 13.3 2008 Audited Consolidated Financial Statements (included on pages 78 through 130 of the TCPL 2008 Management's Discussion and Analysis and Audited Consolidated Financial Statements).
- 13.4 Related supplementary note entitled "Reconciliation to United States GAAP" and the auditors' report thereon.
- 13.5 Management's Report on Internal Control Over Financial Reporting.
- 13.6 Report of the Independent Registered Public Accounting Firm on the effectiveness of TCPL's Internal Control Over Financial Reporting, as at December 31, 2008.
- 99.1 Comments by Auditors for United States Readers on Canada United States Reporting Differences.

**EXHIBITS**

- 23.1 Consent of KPMG LLP, Chartered Accountants.
  - 31.1 Certification of Chief Executive Officer pursuant to Section 302 of the *Sarbanes-Oxley Act of 2002*.
  - 31.2 Certification of Chief Financial Officer pursuant to Section 302 of the *Sarbanes-Oxley Act of 2002*.
  - 32.1 Certification of Chief Executive Officer regarding Periodic Report containing Financial Statements.
  - 32.2 Certification of Chief Financial Officer regarding Periodic Report containing Financial Statements.
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**TRANSCANADA PIPELINES LIMITED**

**ANNUAL INFORMATION FORM**

**February 23, 2009**



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## PRESENTATION OF INFORMATION

Unless the context indicates otherwise, a reference in this Annual Information Form ( *AIF* ) to *TCPL* or the *Company* includes TCPL's parent, TransCanada Corporation ( *TransCanada* ) and the subsidiaries of TCPL through which its various business operations are conducted and a reference to *TransCanada* includes TransCanada Corporation and the subsidiaries of TransCanada Corporation, including TCPL. Where TCPL is referred to with respect to actions that occurred prior to its 2003 plan of arrangement with TransCanada, which is described below under the heading *TransCanada PipeLines Limited Corporate Structure* , these actions were taken by TCPL or its subsidiaries. The term *subsidiary* , when referred to in this AIF, with reference to TCPL means direct and indirect wholly owned subsidiaries of, and entities controlled by, TransCanada or TCPL, as applicable.

Unless otherwise noted, the information contained in this AIF is given at or for the year ended December 31, 2008 ( *Year End* ). Amounts are expressed in Canadian dollars unless otherwise indicated. Financial information is presented in accordance with Canadian generally accepted accounting principles.

Certain portions of TCPL's Management's Discussion and Analysis dated February 23, 2009 ( *MD&A* ) are incorporated by reference into this AIF as stated below. The MD&A can be found on SEDAR at [www.sedar.com](http://www.sedar.com) under TCPL's profile.

The Accounting Standards Board ( *AcSB* ) of the Canadian Institute of Chartered Accountants has announced that Canadian publicly accountable enterprises are required to adopt International Financial Reporting Standards ( *IFRS* ), as issued by the International Accounting Standards Board, effective January 1, 2011. In June 2008, the Canadian Securities Administrators proposed that Canadian public companies that are United States Securities and Exchange Commission ( *SEC* ) registrants, such as TCPL, could retain the option to prepare their financial statements under generally accepted accounting principles in the United States ( *US GAAP* ) instead of IFRS. In November 2008, the SEC issued for public comment a recommendation that, beginning in 2014, United States issuers be required to adopt IFRS using a phased-in approach based on market capitalization. TCPL is currently considering the impact a conversion to IFRS or US GAAP would have on its accounting systems and financial statements. For more information on TCPL's conversion project, see TCPL's MD&A under *Accounting Changes International Financial Reporting Standards* .

Information relating to metric conversion can be found at Schedule A to this AIF.

## FORWARD-LOOKING INFORMATION

This AIF, the documents incorporated by reference into this AIF, and other reports and filings made with the securities regulatory authorities may contain certain information that is forward-looking and is subject to important risks and uncertainties. The words *anticipate* , *expect* , *believe* ,

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may, should, estimate, project, outlook, forecast or other similar words are used to identify such forward looking information. Forward-looking statements in this document are intended to provide TCPL shareholders and potential investors with information regarding TCPL and its subsidiaries, including management's assessment of TCPL's and its subsidiaries' future financial and operational plans and outlook. Forward-looking statements in this document may include, among others, statements regarding the anticipated business prospects and financial performance of TCPL and its subsidiaries, expectations or projections about the future, strategies and goals for growth and expansion, expected and future cash flows, costs, schedules, operating and financial results and expected impact of future commitments and contingent liabilities. All forward-looking statements reflect TCPL's beliefs and assumptions based on information available at the time the statements were made. Actual results or events may differ from those predicted in these forward-looking statements. Factors that could cause actual results or events to differ materially from current expectations include, among others, the ability of TCPL to successfully implement its strategic initiatives and whether such strategic initiatives will yield the expected benefits, the operating performance of the Company's pipeline and energy assets, the availability and price of energy commodities, regulatory processes and decisions, changes in environmental and other laws and regulations, competitive factors in the pipeline and energy sectors, construction and completion of capital projects, labour, equipment and material costs, access to capital markets, interest and currency exchange rates, technological developments and the current economic conditions in North America. By its nature, forward-looking information is subject to various risks and uncertainties, including those material risks discussed in this AIF under Risk Factors, which could cause TCPL's actual results and experience to differ materially from the anticipated results or expectations expressed. Additional information on these and other factors is available in the reports filed by TCPL with Canadian securities regulators and with the SEC. Readers are cautioned to not place undue reliance on this forward-looking information, which is given as of the date it is expressed in this AIF or otherwise, and to not use future-oriented information or financial outlooks for anything other than their intended purpose. TCPL undertakes no obligation to update publicly or revise any forward-looking information, whether as a result of new information, future events or otherwise, except as required by law.

**TRANSCANADA PIPELINES LIMITED****Corporate Structure**

TCPL's head office and registered office are located at 450 - 1st Street S.W., Calgary, Alberta, T2P 5H1.

TCPL is a Canadian public company. Significant dates and events are set forth below.

<b>Date</b>	<b>Event</b>
March 21, 1951	Incorporated by Special Act of Parliament as Trans-Canada Pipe Lines Limited.
April 19, 1972	Continued under the <i>Canada Corporations Act</i> by Letters Patent, which included the alteration of its capital and change of name to TransCanada PipeLines Limited.
June 1, 1979	Continued under the <i>Canada Business Corporations Act</i> .
July 2, 1998	Certificate of Arrangement issued in connection with the Plan of Arrangement with NOVA Corporation ( <i>NOVA</i> ) under which the companies merged and then split off the commodity chemicals business carried on by NOVA into a separate public company.
January 1, 1999	Certificate of Amalgamation issued reflecting TCPL's vertical short form amalgamation with a wholly owned subsidiary, Alberta Natural Gas Company Ltd.
January 1, 2000	Certificate of Amalgamation issued reflecting TCPL's vertical short form amalgamation with a wholly owned subsidiary, NOVA Gas International Ltd.
May 4, 2001	Restated TransCanada PipeLines Limited Articles of Incorporation filed.
June 20, 2002	Restated TransCanada PipeLines Limited By-Laws filed.
May 15, 2003	Certificate of Arrangement issued in connection with the plan of arrangement with TransCanada. TransCanada was incorporated pursuant to the provisions of the <i>Canada Business Corporations Act</i> on February 25, 2003. The arrangement was approved by TCPL common shareholders on April 25, 2003 and following court approval, Articles of Arrangement were filed making the arrangement effective May 15, 2003. The common shareholders of TCPL exchanged each of their TCPL common shares for one common share of TransCanada. The debt securities and preferred shares of TCPL remained obligations and securities of TCPL. TCPL continues to hold the assets it held prior to the arrangement and continues to carry on business as the principal operating subsidiary of the TransCanada group of entities.

**Intercorporate Relationships**

The following diagram presents the name and jurisdiction of incorporation, continuance or formation of TCPL's principal subsidiaries as at December 31, 2008. Each of these subsidiaries has total assets that exceeded 10% of the total consolidated assets of TransCanada or revenues that exceeded 10% of the total consolidated revenues of TransCanada as at and for the year ended December 31, 2008. TCPL owns, directly or indirectly, 100 per cent of the voting shares of each of these subsidiaries.



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The above diagram does not include all of the subsidiaries of TCPL. The assets and revenues of excluded subsidiaries in the aggregate did not exceed 20% of the total consolidated assets or total consolidated revenues of TCPL as at and for the year ended December 31, 2008.

## GENERAL DEVELOPMENT OF THE BUSINESS

The general development of TCPL's business during the last three financial years, and the significant acquisitions, dispositions, events or conditions which have had an influence on that development, are described below.

Effective June 1, 2006, TCPL revised the composition and names of its reportable business segments to *Pipelines* and *Energy*. Pipelines are principally comprised of the Company's pipelines in Canada, the U.S. and Mexico and its regulated natural gas storage operations in the U.S. Energy includes the Company's power operations, the non-regulated natural gas storage business, and liquefied natural gas ( *LNG* ) projects.

### Developments in the Pipelines Business

TCPL's strategy in Pipelines is focused on both growing its North American natural gas transmission network and maximizing the long-term value of its existing pipeline assets. Summarized below are significant developments that have occurred in TCPL's Pipelines business over the last three years.

2008

#### *Pipeline Developments*

- January 4 2008. The State of Alaska announced that TCPL had submitted a complete *Alaska Gasline Inducement Act* ( *AGIA* ) application for a license to construct the Alaska Pipeline Project and would be advancing to the public comment stage.
- February 2008. In 2005, certain subsidiaries of Calpine Corporation ( *Calpine* ) filed for bankruptcy protection in both Canada and the U.S. The Portland Natural Gas Transmission System (the *Portland System* ) and GTNC reached agreement with Calpine for allowed unsecured claims in the Calpine bankruptcy of US\$125 million and US\$192.5 million, respectively. Creditors were to receive shares in the re-organized Calpine and these shares would be subject to

market price fluctuations as the new Calpine shares began to trade. In February 2008, the Portland System and GTNC received partial distributions of 6.1 million shares and 9.4 million shares, respectively. Subsequently, these shareholdings were sold into the market. Claims of Nova Gas Transmission Limited ( *NGTL* ) and Foothills Pipe Lines (South B.C.) Ltd., both wholly-owned subsidiaries of TransCanada, for \$31.6 million and \$44.4 million, respectively, were received in cash in January 2008 and were passed on to shippers on these systems.

- March 14, 2008. TransCanada Keystone Pipeline, LP ( *Keystone U.S.* ) received a Presidential Permit authorizing the construction, maintenance and operation of facilities at the United States and Canada border for the transportation of crude oil between the two countries. The Presidential Permit was a significant regulatory approval required to begin construction of the 3,456 kilometre ( *km* ) pipeline project that will transport crude oil from Alberta to markets in the United States (the *Keystone Oil Pipeline* ). The Presidential Permit was issued following the issuance by the U.S. Department of State of the Final Environmental Impact Statement ( *FEIS* ) on January 11, 2008 for the construction of the Keystone U.S. pipeline and its Cushing extension. The FEIS stated the pipeline would result in limited adverse environmental impacts. Construction of the Keystone Oil Pipeline began in May 2008 in both Canada and the United States. Commissioning of the segment to Wood River and Patoka is expected to commence in late 2009 with commercial operations to follow in early 2010. Commissioning of the segment providing service to Cushing is expected to commence in late 2010.

- April 2008. An expansion to TCPL's natural gas transmission system in the province of Alberta (the *Alberta System* ) in the Fort McMurray area, comprising a total of approximately 150 km, was placed in service on its projected on-stream date.



- July 16, 2008. TCPL announced plans to expand and extend the Keystone Oil Pipeline system and provide additional capacity in 2012 of 500,000 barrels per day ( *Bbl/d* ) from Western Canada to the United States Gulf Coast, near existing terminals in Port Arthur, Texas. The expansion, when completed, is expected to increase the Keystone Oil Pipeline system from 590,000 Bbl/d to approximately 1.1 million Bbl/d. Construction of the expansion facilities is expected to commence in 2010 subject to the receipt of the necessary regulatory approvals.
- September 3, 2008. TCPL acquired Bison Pipeline LLC from Northern Border Pipeline Company ( *NBPL* ) for US\$20 million. The assets of Bison Pipeline LLC included executed precedent agreements as well as regulatory, environmental and engineering work on the Bison Pipeline Project ( *Bison* ), a proposed 480 km (298 mile) pipeline from the Powder River Basin in Wyoming to the Northern Border Pipeline system in Morton County, North Dakota.
- September 8, 2008. TCPL reached a proposed agreement with Canadian Utilities Limited ( *ATCO Pipelines* ) to provide integrated natural gas transmission service to customers. If approved by the regulatory authorities, the two companies will combine physical assets under a single rates and services structure with a single commercial interface with customers but with each company separately managing assets within distinct operating territories in the province. TCPL continues to work with all stakeholders to finalize this agreement.
- October 29, 2008. TCPL announced that the Keystone Oil Pipeline system successfully conducted that open season for expansion and extension to the United States Gulf Coast by securing additional firm, long-term contracts totaling 380,000 Bbl/d for an average term of approximately 17 years. With these shipper commitments the Keystone Oil Pipeline system has long-term commitments for 910,000 Bbl/d for an average term of approximately 18 years. This includes commitments made by shippers to sign transportation service agreements for 35,000 Bbl/d capacity in an open season to be held in 2009. The commitments represent approximately 83 per cent of the 1.1 million Bbl/d commercial design of the system.
- December 5, 2008. The Alaska Commissioner of Revenue and Natural Resources issued the AGIA license to TCPL to advance the Alaska Pipeline Project, following on the approval by the Alaska Senate on August 1, 2008 of TCPL's application for the license. TCPL has committed under the AGIA to advance the Alaska Pipeline Project through an open season and subsequent United States Federal Energy Regulatory Commission ( *FERC* ) certification. TCPL has commenced the engineering, environmental, field and commercial work, and expects to conclude an open season by July 31, 2010. Under AGIA, the State of Alaska has agreed to reimburse a share of the eligible pre-construction costs to TCPL to a maximum of US\$500 million.

- TCPL agreed to increase its equity ownership in Keystone U.S. and TransCanada Keystone Pipeline Limited Partnership ( *Keystone Canada* ) up to 79.99 per cent from 50 per cent with ConocoPhillips equity ownership being reduced concurrently to 20.01 per cent.
- TCPL continued funding of the Mackenzie Valley Aboriginal Pipeline Limited Partnership for its participation in the Mackenzie Gas Pipeline Project, a proposed 1,200 km (746 mile) natural gas pipeline to be constructed from a point near Inuvik, Northwest Territories to the northern border of Alberta, where it is expected to connect to the Alberta System.

#### *Regulatory Matters*

- January 2008. Gas Transmission Northwest Corporation ( *GTNC* ), a wholly-owned subsidiary of TransCanada, filed a Stipulation and Agreement with the FERC on October 31, 2007 comprised of an uncontested settlement of all aspects of its 2006 General Rate Case. On January 7, 2008, the FERC issued an order approving the settlement. The settlement rates were effective retroactive to January 1, 2007.
- March 18, 2008. TCPL filed an application with the National Energy Board ( *NEB* ) to increase the interim tolls on its Canadian gas pipeline system (the *Canadian Mainline* ) previously approved in December 2007. This toll increase was a result of a significant decrease in forecasted flows on the Canadian Mainline and was intended to allow TCPL to more accurately meet its 2008 revenue requirement. On March 28, 2008, the NEB approved the amended interim tolls for transportation service effective April 1, 2008.
- June 17, 2008. TCPL filed an application with the NEB to establish federal regulation for TCPL's Alberta System. The application for a certificate of public convenience and necessity and related approvals was made to recognize that TCPL's Alberta System was subject to Canadian federal jurisdiction and its operations to regulation by the NEB. An oral hearing to discuss this matter began on November 18, 2008 and concluded on November 28, 2008. A decision on the matter is expected to be issued by the end of February 2009. Currently, the provincial regulation of the Alberta System precludes TCPL from acquiring, constructing or operating facilities that transport natural gas across Alberta provincial borders. Federal regulation would enable the Alberta System to extend across provincial borders, thereby providing integrated service to Alberta and British Columbia customers, and northern natural gas producers.

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- June, 2008. The NEB approved TCPL's application for additional pumping facilities required to expand the Canadian portion of the Keystone Oil Pipeline project from a nominal capacity of approximately 435,000 Bbl/d to 590,000 Bbl/d to accommodate volumes to be delivered to the Cushing markets, after holding an oral hearing on April 8, 2008. The hearing and decision followed on an application filed by Keystone Canada with the NEB in November 2007.
- October 10, 2008. The Alberta Utilities Commission ( *AUC* ) approved TCPL's application for a permit to construct the North Central Corridor expansion, at a cost of approximately \$925 million. The expansion comprises a 42-inch, 300 km (186 mile) natural gas pipeline and associated compression facilities on the northern section of the Alberta System. Construction on the project began in October 2008. The decision followed on a non-routine application filed with the Alberta Energy and Utilities Board ( *EUB* ) on November 20, 2007.
- December 17, 2008. The AUC approved NGTL's 2008-2009 Revenue Requirement Settlement Application as filed, in its entirety. As part of the settlement, fixed costs were established for operation, maintenance and administration costs, return on equity and income taxes. Any variances between actual costs and those agreed to in the settlement accrue to TCPL, subject to a return on equity and income tax adjustment mechanism, which accounts for variances between actual and settlement rate base and income tax assumptions. The other cost elements of the settlement are treated on a flow-through basis. The AUC also approved the 2008 Interim Rates of NGTL on a final basis for the period January 1, 2008 to December 31, 2008.

Further information about these developments can be found in the MD&A under the headings *TCPL's Strategy* , *Pipelines Highlights* , and *Pipelines Opportunities and Developments* .

*2007*

#### *Pipeline Developments*

- February 9, 2007. TCPL received approval from the NEB to transfer a section of its Canadian Mainline transmission facilities to the Keystone Oil Pipeline project to transport crude oil from Alberta to refining centres in the U.S. Midwest and to construct and operate new oil pipeline facilities in Canada. TCPL announced in January 2007 the start of a binding open season for an expansion and extension of the proposed Keystone Oil Pipeline. The purpose of the open season was to obtain binding commitments to support the expansion of the proposed Keystone Oil Pipeline from approximately 435,000 Bbl/d to 590,000 Bbl/d and the construction of a 468 kilometre extension of the U.S.

portion of the pipeline.

- February 22, 2007. TCPL closed its acquisitions of American Natural Resources Company and ANR Storage Company (collectively, *ANR* ) and acquired an additional 3.6 per cent interest in Great Lakes Gas Transmission Partnership ( *Great Lakes* ) from El Paso Corporation for a total of US\$3.4 billion, subject to certain post-closing adjustments, including approximately US\$491 million of assumed long-term debt. Additionally, TCPL increased its ownership in TC PipeLines, LP to 32.1 per cent in conjunction with the TC PipeLines, LP acquisition of a 46.4 per cent interest in Great Lakes. TCPL subsequently became the operator of NBPL and now operates all three TC PipeLines, LP investments. The acquisition was financed partly through an offering of 39,470,000 subscription receipts at \$38.00 per subscription receipt, which resulted in gross proceeds to TCPL of approximately \$1.725 billion including the exercise of an over-allotment option granted to the underwriters. Upon closing of the acquisition of ANR, the subscription receipts were automatically exchanged, without the payment of any additional consideration by the subscribers, on a one-to-one basis for common shares of TransCanada ( *Common Shares* ).
- December 2007. ConocoPhillips contributed \$207 million to acquire a 50 per cent ownership interest in the Keystone Oil Pipeline. Affiliates of TCPL will be responsible for constructing and operating the Keystone Oil Pipeline.

#### ***Regulatory Matters***

- February 2007. TCPL received approval from the NEB to integrate its natural gas pipeline system in southern British Columbia with its natural gas pipeline systems in southern Alberta and southwestern Saskatchewan (collectively, the *Foothills System* ) effective April 1, 2007.
- May 2007. TCPL's five-year settlement with interested stakeholders for the years 2007 to 2011 on its Canadian Mainline was approved by the NEB. The sett