



For more information on Employee Health and Safety, go to www.transcanada.com/social/health.html

2004 EMPLOYEE SAFETY PERFORMANCE HIGHLIGHTS

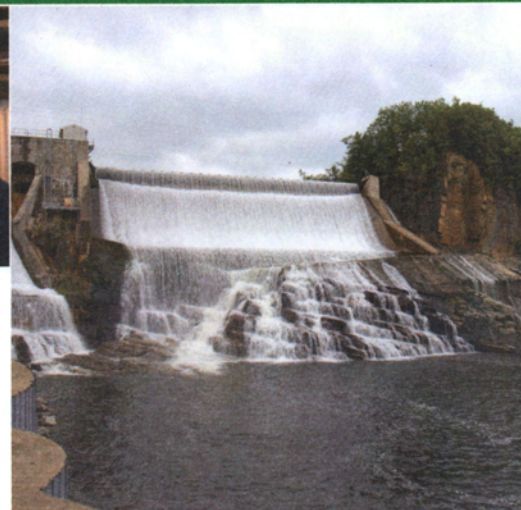
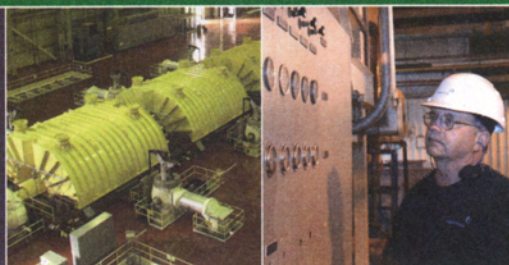
- The number of recordable cases where medical aid was required was reduced by 17 per cent in 2004 compared with 2003.
- Employees incurred a medical-aid incident every 168,000 hours worked in 2004 compared with every 143,000 hours in 2003.
- The number of away-from-work cases where employees could not work because of an occupational injury or illness was reduced by 22 per cent in 2004 compared with the previous year.
- Employees incurred an away-from-work incident every 600,000 hours worked in 2004 compared with every 478,000 hours in 2003.
- The total number of away-from-work days was reduced by 74 per cent in 2004 compared with 2003.
- Employees were away from work for 165 days in 2004 compared with 684 days in 2003.

CONTRACTOR SAFETY MANAGEMENT

Every year, TransCanada hires contractors who work almost two million person hours. They provide a wide range of essential services from low-risk janitorial work to higher-risk construction and demolition assignments.

To be eligible for contracts with TransCanada, contractors must share our commitment to safety and be capable of executing best-of-class health and safety practices.

In 2004, TransCanada enhanced its Contractor Safety Management Program. The program outlines requirements to effectively manage contractors who work for TransCanada from the prequalification stage to a post-construction review.



CONTRACTORS ACHIEVE EXCELLENT HEALTH AND SAFETY RECORD

In 2004, TransCanada contractors performed exceedingly well in the health and safety area, reporting only 22 injuries, of which two resulted in time lost at work. The resulting away-from-work case rate was one-fifteenth of the Alberta construction industry rate and one-tenth of the Ontario construction industry rate.

GRANDVIEW AND BÉCANCOUR CONSTRUCTION PROJECTS

TransCanada contractors achieved an exceptional safety record during 2004 on both our power plant construction projects at Grandview, New Brunswick and Bécancour, Québec.

By mid-November 2004, more than 290,000 hours of construction work had been completed at the Grandview Cogeneration Plant without a single recordable or lost-time case. The 90-megawatt plant is now in operation.

In the same time period, more than 72,000 hours were worked at the Bécancour, construction project without a recordable or lost-time case. The 550-megawatt plant, which is on schedule and on budget, is expected to begin operations in 2006.

TRANSCANADA'S COMMITMENT TO FACILITY SAFETY AND RELIABILITY

TransCanada is expanding its portfolio of pipeline and power assets through construction of new facilities and strategic acquisitions from other players.

In both cases, the company's health and safety professionals ensure that all aspects of the operation meet or exceed regulatory standards and TransCanada's own standards for health and safety performance.

When building new facilities, health and safety requirements are an integral part of design, construction and testing. When acquiring, TransCanada conducts a thorough review of historical practices and current assets and determines which areas, if any, require upgrading.

In recent years, TransCanada has brought a number of new and newly acquired facilities into its health and safety management system.



As a growing North American energy company, TransCanada is committed to ensuring that all assets and facilities meet the same high level of health and safety performance.

Operating reliability

- We improved operating reliability of our pipeline business by seven per cent compared to 2003.
- There were no pipeline ruptures on TransCanada-operated systems in 2004. Volume interruptions were down 45 per cent in 2004 compared to 2003.
- Power plant availability averaged 96 per cent, well above the industry rate of 90 per cent. Forced outage rate averaged 1.6 per cent compared to the industry rate of five per cent.

PIPELINE AND POWER MAINTENANCE

TransCanada's network of natural gas pipeline spans 25,600 miles (41,000 kilometres). Power facilities we own, control or are building generate more than 5,700 megawatts of power – enough to meet the needs of 5.7 million average households.

With numbers and responsibilities like these, the task of maintenance for performance and safety never ends. All pipelines in TransCanada's system receive annual maintenance according to the latest industry codes and standards. Pipelines that are of a higher risk, such as in populated areas, are subject to increased pipeline maintenance dictated by a detailed hazard review that is performed annually on every metre of pipe in the system.

TransCanada's workplaces are subjected to a continuous, systematic and comprehensive process to identify and eliminate health and safety hazards.

The experience and dedication of our inspection and maintenance teams are vital assets. So are technological innovations such as the Geographic Information System that allows TransCanada engineers to perform state-of-the-art risk assessment and

employees to access pipeline data, maps and imagery. This gives staff a better way to know where to repair.

In another example, we use internal pipeline inspection tools to scan pipe for signs of corrosion or other defects, allowing field crews to perform any necessary preventive repairs to the pipeline.

CANCARB ACHIEVES INDUSTRY FIRST

In 2004, TransCanada's Cancarb facility in Medicine Hat, Alberta became the first carbon black operation in North America to receive three certifications for its quality, environmental, and health and safety management systems from the Canadian General Standards Board. In December, Cancarb received the ISO 9001, ISO 14001 and OHSAS 18001 certifications.

Cancarb is the world's largest manufacturer of thermal carbon black with customers on six continents. The facility is 100 per cent owned by TransCanada and operates a power plant that uses waste heat from the carbon black process to produce about 26 megawatts of electricity for sale to the City of Medicine Hat.

our values



TransCanada is committed to the highest standards of business integrity, a value which leads directly to our responsibility to communities, health and safety and the environment.

Our Values: SPIRIT

The word SPIRIT neatly captures the values of TransCanada in a way that everyone can remember and understand.

Social Responsibility: to our employees, the communities we serve and the environment

Passion: we are highly engaged in the company's values and success

Integrity, Trust and Respect: we are always responsible and accountable for what we do

Results: a commitment to deliver exceptional returns to shareholders

Innovation: we always seek new and better ways to meet our customers' needs

Teamwork: we work together to get results, while respecting our differences

CODE OF BUSINESS ETHICS

TransCanada has a Code of Business Ethics (COBE) that details the high level of business conduct expected of every employee in the company. The company's corporate governance process requires every employee to annually read COBE and formally certify their understanding of these standards and their commitment to comply.

Employees are encouraged to discuss ethical issues with their supervisor, seek clarification from management or confidentially consult the company's Ethics Help-Line.

AWARDS CONFIRM WE'RE ON THE RIGHT TRACK

TransCanada was the proud recipient of three prestigious corporate responsibility awards in 2004.

In February, the company won the **Ethics in Business Award**, part of the Alberta Business Awards of Distinction managed by the Alberta Chambers of Commerce.

TransCanada was recognized by *Canadian Business* magazine in August for having one of the top 10 boards of directors in Canada.

In November, the company was named to the **Dow Jones Sustainability World Index** for the third year running. TransCanada is the only pipeline company on the index, which tracks the performance of sustainability-driven companies. Eligibility for the index is based on a rigorous assessment of more than 50 broad performance criteria.

our employees



TransCanada is committed to building human and organizational capabilities that give the company a competitive edge.

Employee engagement

Employee engagement is the relationship between TransCanada and its employees. It encompasses personal morale, workplace climate and personal satisfaction. Annual employee engagement surveys measure employees' understanding of company strategy and their feelings about the work environment. We started surveying in the year 2000 and engagement has consistently improved over the last five years. The actual score has been going up rapidly every year, and we are now approaching the top quartile of larger Canadian companies.

EMPLOYEE DEVELOPMENT

Employee Development refers to the acquisition of knowledge, skills or attitudes that enhance an employee's ability to perform in the workplace.

TransCanada chooses to invest in employees to ensure that they have the right skills and knowledge to successfully pursue their work. Employees work with their leaders to determine development plans, including an evaluation of skills and needs. Employee Development can take the form of both on-the-job and formal education, and TransCanada has programs in place to support both. We provide on-the-job development opportunities through new jobs and assignments, and support a wide variety of employee training programs.

In addition, our Education and Training Assistance Program encourages professional development by refunding the cost of tuition for approved post-secondary studies.

TransCanada's Talent Management program involves the ongoing assessment, identification and development of leaders

to promote career growth and build leadership capability. The program's goal is to place the right people in the right roles at the right time.

Individuals participating in the program are identified through an annual process in which leaders assess key employee talent. While technical expertise is important, emphasis is also placed upon personal attributes such as exhibiting sound judgment, leading by example, inspiring trust, setting visions and being a good team player. Once identified, individuals are nurtured through various actions, including new assignments, roles and training.

Our Leadership Development program is offered to all leaders at TransCanada and includes a suite of programs for different levels. It is integrated with Talent Management.

Throughout 2005, TransCanada will track the effectiveness of the programs. Leaders will undergo a 360-degree effectiveness feedback from peers, staff and leaders. Such an evaluation will establish baselines



for the programs and aid in their evolution. For instance, as certain needs for leaders are met, new needs will be identified.

While such programs help individual employees enhance their skills and stay current and innovative in a changing workplace, they also boost confidence, motivation, morale and engagement. They contribute to our business success.

BENEFITTING EMPLOYEES AND THEIR FAMILIES

TransCanada provides a number of services to employees to benefit their health and well-being. These include:

- An Employee Family Assistance Program, which provides a range of counselling services to employees and their families,
- Disability Management Services, which work to identify and address health-related issues impacting employees, and
- Proactive health awareness and education sessions that enable employees to make improved lifestyle decisions.

TransCanada also encourages the dependent children of employees and retirees to further

their education through Post-Secondary Assistance Awards. This program provides financial assistance towards tuition.

EMPLOYMENT EQUITY

TransCanada is proud to note that in 2004, the Canadian Human Rights Commission (CHRC) found the company in full compliance in employment equity.

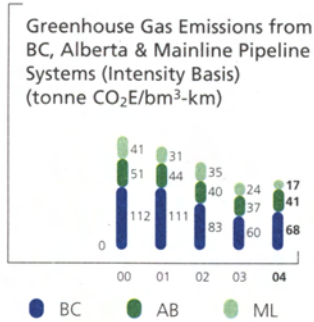
The process of moving toward employment equity began in 2001, when TransCanada participated in a government audit to assess our practices and determine where the company was under-represented in designated groups: women, members of visible minorities, people with disabilities and Aboriginals. The audit defined a number of areas for improvement, including women in management and persons with disabilities.

Since then, TransCanada has initiated a "respectful workplace" program, including policies, practices and action plans to address potential issues that affect designated groups and all employees, such as ensuring that internal hiring and promotion systems are barrier-free, and increasing awareness and understanding of employment equity.

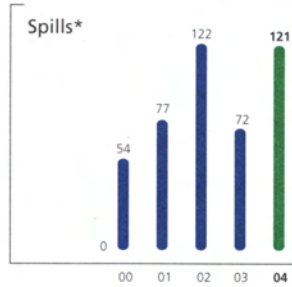
2004 statistics

TransCanada sets industry-leading targets for safety performance that provide a focus to monitor and improve our programs, modify our behaviours and continually improve our performance.

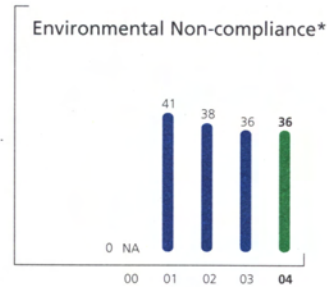
ENVIRONMENT



The gases that occur naturally or result from human activities such as the burning of fossil fuels. Greenhouse gases that are included in the TransCanada transmission targets are carbon dioxide, methane and nitrous oxide. Methane and nitrous oxide are normalized to carbon dioxide equivalents.



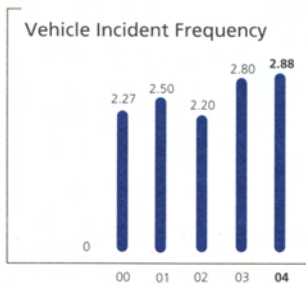
Total number of releases of a product or waste on-site or off-site that may or may not pose an adverse impact to the environment.



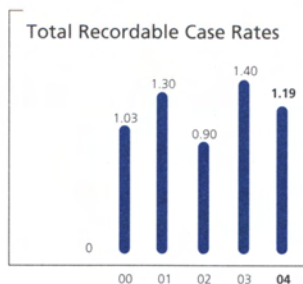
An event that may require reporting to an environmental agency and/or regulatory body.

* Numbers are based on TransCanada's own internal Incident Management Classification Guide as part of the Incident Management System. The Guide has four categories – minor, serious, major and critical. TransCanada records all incidents (including those which are not reportable to a regulatory body) as part of its continuous improvement philosophy. The vast majority of incidents fall into the minor category (i.e. they have no adverse impact on the environment). No fines have been issued to TransCanada for environmental non-compliance by any external agencies.

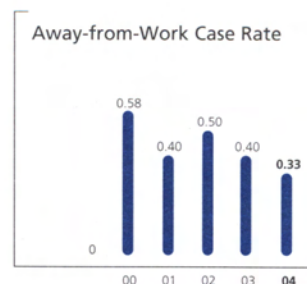
EMPLOYEE HEALTH AND SAFETY



The number of recordable vehicle incidents related to a common exposure base of 1,000,000 kilometres driven. 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, TransCanada experienced one incident for every 346,000 kilometres travelled.



The number of recordable cases related to a common exposure base of 100 full-time employees. Recordable cases are all illnesses and work-related injuries which result in: loss of consciousness, restriction of work or motion, transfer to another job, loss of life or those that require medical treatment beyond first aid. On average, TransCanada experienced one workplace injury for every 84 person years of work.



The number of away-from-work cases where the employee would have worked but could not because of occupational injury or illness, related to a common exposure base of 100 full-time employees. On average, TransCanada experienced 300 person years of work for every lost-time incident.



NATURAL GAS TRANSMISSION

POWER GENERATION

- 1 Canadian Mainline
- 2 Alberta System
- 3 Gas Transmission Northwest System
- 4 Foothills System
- 5 BC System
- 6 North Baja System
- 7 Ventures LP
- 8 Great Lakes
- 9 TQM
- 10 Iroquois
- 11 Portland
- 12 Northern Border
- 13 Tuscarora

- 14 CrossAlta (storage)
- 15 Edson (under development)
- 16 Mackenzie Gas Pipeline Project (proposed by producers)
- 17 Alaska Highway Pipeline Project (proposed by TransCanada)
- 18 Keystone Oil Pipeline Project (proposed by TransCanada)


— wholly owned
 — partially owned
 proposed

- 1 Bear Creek
- 2 MacKay River
- 3 Redwater
- 4 Sundance A PPA
- 5 Sundance B PPA (50 per cent)
- 6 Carseland
- 7 Cancarb
- 8 Bruce Power (31.6 per cent)
- 9 OSP
- 10 Bécancour (under construction)
- 11 Cartier Wind (proposed)
- 12 Grandview
- 13 Deerfield and Connecticut River Hydro Systems

- TransCanada Power, L.P. (30.6 per cent)
- 14 Curtis Palmer
 - 15 ManChief
 - 16 Williams Lake
 - 17 Nipigon
 - 18 Kapuskasing
 - 19 Tunis
 - 20 North Bay
 - 21 Calstock
 - 22 Castleton
 - 23 Mamquam
 - 24 Queen Charlotte

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