

TRANSCANADA PIPELINES LTD  
Form 40-F  
February 28, 2008

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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, 2007** 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)

**CT Corporation, Suite 2610, 520 Pike Street**

**Seattle, Washington, 98101; (206) 622-4511; (800) 456-4511**

(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:

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Annual Information Form

Audited annual financial statements

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, 2007, 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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## Edgar Filing: TRANSCANADA PIPELINES LTD - Form 40-F

The following document is hereby filed with the Securities and Exchange Commission for the purpose of being and hereby is incorporated by reference into Registration Statement on Form F-9 (File No. 333-145980) of TransCanada PipeLines Limited.

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

#### A. Audited Annual Financial Statements

For consolidated audited financial statements, including the report of the independent chartered accountants, see pages 72 through 126 of the TransCanada PipeLines Limited ("TCPL") 2007 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 71 of the TCPL 2007 Management's Discussion and Analysis and Audited Consolidated Financial Statements included herein.

For the purposes of this Report, only pages 2 through 71 and 72 through 126 of the TCPL 2007 Management's Discussion and Analysis and Audited Consolidated Financial Statements shall be deemed incorporated herein by reference and filed, and the balance of such 2007 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 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 consolidated audited financial statements on page 72;
- 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 60 of the TCPL 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.

The effectiveness of internal control over financial reporting as of December 31, 2007 has been audited by TCPL's independent auditors, KPMG LLP, a registered public accounting firm, as stated in their audit report. KPMG LLP has issued a report on the effectiveness of internal control over financial reporting as of December 31, 2007, filed as document 13.6.

### 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 60 of the TCPL 2007 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 employees, its President and Chief Executive Officer, Chief Financial Officer and Controller and its directors. The Registrant's codes are available on its website at [www.transcanada.com](http://www.transcanada.com). There has been no waiver of the codes granted during the 2007 fiscal year.

**PRINCIPAL ACCOUNTANT FEES AND SERVICES**

The aggregate fees for professional services rendered by KPMG LLP for the TransCanada group of companies for the 2007 and 2006 fiscal years are shown in the table below:

<i>Fees in millions of Canadian dollars</i>	2007 <sup>(1)</sup>	2006 <sup>(1)</sup>
Audit Fees	\$ 6.27	\$ 6.52
Audit-Related Fees	0.07	0.07
Tax Fees	0.06	0.22
All Other Fees	0.00	0.07
Total	\$ 6.40	\$ 6.88

(1) The disclosure of audit fees paid has been revised to be based on aggregate fees billed during the fiscal year as opposed to aggregate fees for professional services rendered during the fiscal year. For comparison purposes, both the 2007 and the 2006 amounts have been disclosed based on the aggregate fees billed during the year.

The nature of each category of fees is described below.

*Audit Fees*

Aggregate fees for audit services rendered for the audit of the annual consolidated financial statements or services provided in connection with statutory and regulatory filings or engagements, the review of interim consolidated financial statements and information contained in various prospectuses and other offering documents.

*Audit-Related Fees*

Aggregate fees for assurance and related services that are reasonably related to performance of the audit or review of the consolidated financial statements and are not reported as Audit Fees. The nature of services comprising these fees is related to the audit of the financial statements of certain pension plans.

*Tax Fees*

Aggregate fees for primarily tax compliance and tax advice. The nature of these services consisted of: tax compliance including the review of income tax returns; and tax items and tax services related to domestic and international taxation including income tax, capital tax and Goods and Services Tax.

*All Other Fees*

Aggregate fees for products and services other than those reported elsewhere in this table. The nature of these services consisted of advice related to compliance with the United States *Sarbanes-Oxley Act of 2002*.

*Pre-Approval Policies and Procedures*

TCPL's Audit Committee has adopted a pre-approval policy with respect to permitted non-audit services. Under the policy, the Audit Committee has granted pre-approval for specified non-audit services. For engagements of \$25,000 CDN or less which are not within the annual pre-approved limit, approval by the Audit Committee is not required, and for engagements between \$25,000 CDN and \$100,000 CDN, approval of the Audit Committee Chair is required, and the Audit Committee is to be informed of the engagement at the next scheduled Audit Committee meeting. For all engagements of \$100,000 CDN or more, pre-approval of the Audit Committee is required. In all cases, regardless of dollar amount involved, where there is a potential for conflict of interest involving the external auditor on an engagement, the Audit Committee Chair must pre-approve the assignment.

To date, TCPL has not approved any non-audit services on the basis of the de-minimis exemptions. All non-audit services have been pre-approved by the Audit Committee in accordance with the pre-approval policy described above.

**OFF-BALANCE SHEET ARRANGEMENTS**

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

**TABULAR DISCLOSURE OF CONTRACTUAL OBLIGATIONS**

For information on Tabular Disclosure of Contractual Obligations, see "Management's Discussion and Analysis - Contractual Obligations", which is incorporated herein by reference on page 48 of the TCPL 2007 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

**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. 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 other things, 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 natural gas 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 natural gas pipeline and energy industry 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 U.S. Securities and Exchange Commission ("*SEC*"). 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 28, 2008

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**DOCUMENTS FILED AS PART OF THIS REPORT**

- 13.1 Annual Information Form for the year ended December 31, 2007.
- 13.2 Management's Discussion and Analysis (included on pages 2 through 71 of the TCPL 2007 Management's Discussion and Analysis and Audited Consolidated Financial Statements).
- 13.3 2007 Audited Consolidated Financial Statements (included on pages 72 through 126 of the TCPL 2007 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, 2007.
- 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 25, 2008**

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TRANSCANADA PIPELINES LIMITED

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## PRESENTATION OF INFORMATION

Unless otherwise noted, the information contained in this Annual Information Form ( *AIF* ) is given at or for the year ended December 31, 2007 ( *Year End* ). Amounts are expressed in Canadian dollars unless otherwise indicated. Financial information is presented in accordance with Canadian generally accepted accounting principles.

Unless the context indicates otherwise, a reference in this 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.

Certain portions of TCPL's Management's Discussion and Analysis dated February 25, 2008 ( *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.

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* , *may* , *should* , *estimate* , *project* , *outlook* , *forecast* or other similar words are used to identify such forward looking information. 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 other things, 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 natural gas 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 natural gas pipeline and energy industry 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 U.S. Securities and Exchange Commission ( *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 ( NOVA ) 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.

At Year End, TCPL had approximately 3,500 employees, substantially all of whom were employed in Canada and the United States.

TCPL's subsidiaries whose assets exceed ten per cent of TCPL's consolidated assets or whose sales and operating revenues exceeded ten per cent of TCPL's consolidated sales and operating revenues at year end are noted below. Also noted is the jurisdiction under which each subsidiary was incorporated. TCPL owns, directly or indirectly, 100 per cent of the voting shares of each of these subsidiaries.



TRANSCANADA PIPELINES LIMITED

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## 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.

#### *Recent Pipeline Developments*

- January 4 2008. The State of Alaska announced that TCPL had submitted a complete *Alaska Gasline Inducement Act* application for a license to construct the Alaska Pipeline Project and would be advancing to the public comment stage.
- January 2008. Gas Transmission Northwest Corporation ( *GTNC* ) filed a Stipulation and Agreement with the U.S. Federal Regulatory Commission ( *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 are effective retroactive to January 1, 2007.
- January 11, 2008. Keystone U.S. received, from the U.S. Department of State, the Final Environmental Impact Statement ( *FEIS* ) regarding the construction of the Keystone U.S. pipeline and its Cushing extension. The FEIS stated the pipeline would result in limited adverse environmental impacts. The FEIS is a requirement to proceed with the Presidential Permit process, which governs the construction and operation of facilities at the U.S. - Canada border crossing. The Presidential Permit is expected to be issued in March 2008. Construction and material supply contracts totaling approximately \$3.0 billion have been awarded for pipe, tanks, pumps and related materials, and engineering and construction management services.



- 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 ( *Portland* ) 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 will be subject to market price fluctuations as the new Calpine shares begin to trade. In February 2008, Portland and GTNC received partial distributions of 6.1 million shares and 9.4 million shares, respectively. Claims for Nova Gas Transmission Limited and Foothills Pipe Lines (South B.C.) Ltd. for \$31.6 million and \$44.4 million, respectively, were received in cash in January 2008 and will be passed on to shippers on these systems.

2007

*Pipeline Developments*

- February 9, 2007. TCPL received approval from the National Energy Board (the *NEB* ) to transfer a section of the Canadian Mainline (as defined below) natural gas 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 pipeline from approximately 435,000 barrels per day to 590,000 barrels per day and the construction of a 468 kilometre ( *km* ) 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 the Great Lakes. TCPL subsequently became the operator of the Northern Border Pipeline Company ( *NBPL* ) and now operates all three TC PipeLines, LP investments.

- November 2007. Keystone Canada filed an application with the NEB to add new pumping facilities to accommodate the increase in scope and scale of the project. An NEB oral hearing is scheduled to commence in April 2008.
- November 20, 2007. A non-routine application was filed with the Alberta Energy and Utilities Board ( *EUB* ) for the North Central Corridor pipeline expansion of the Alberta System (as defined below). The estimated cost of this project is \$983 million with construction expected to begin late 2008, subject to regulatory approval. The project is expected to be completed in two stages with the first stage completed in April 2009 and the second in April 2010.
- December 2007. ConocoPhillips contributed \$207 million to acquire a 50 per cent ownership interest in the Keystone oil pipeline project. Affiliates of TCPL will be responsible for constructing and operating Keystone, which is expected to have a capital cost of approximately US\$5.2 billion.
- TCPL continued funding of the Mackenzie Valley Aboriginal Pipeline Limited Partnership for its participation in the Mackenzie Gas Pipeline Project.

#### *Regulatory Matters*

- February 2007. TCPL received approval from the NEB to integrate the B.C. System into the Foothills System (as defined below) in southern B.C. which was 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 settlement reflects, among other things, a deemed common equity ratio of 40 per cent.

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

2006

*Pipeline Developments*

- April 2006. TC PipeLines, LP, an affiliate of TCPL, acquired an additional 20 per cent general partnership interest in NBPL for approximately US\$307 million which brought its total general partnership interest in NBPL owned by TC Pipelines, LP to 50 per cent. TC PipeLines, LP also indirectly assumed approximately US\$122 million of the debt of NBPL. TCPL is the parent company of TC PipeLines GP, Inc., the general partner of TC PipeLines, LP.
- April 2006. TCPL sold its 17.5 per cent general partner interest in Northern Border Partners, L.P. for proceeds of \$35 million, net of current taxes.
- December 2006. The 130 km Tamazunchale natural gas pipeline in east-central Mexico went into commercial service.
- December 2006. TC PipeLines, LP acquired 49 per cent in Tuscarora Gas Transmission Company ( *Tuscarora* ). TCPL became the operator of Tuscarora.

*Regulatory Matters*

- February 2006. TCPL filed an application with the FERC for a certificate for a two-phase expansion of its existing natural gas pipeline in southern California, the North Baja system ( *North Baja* ) and the construction of a new lateral pipeline in California's Imperial Valley.
- April 2006. The NEB approved a negotiated settlement of the 2006 Canadian Mainline tolls which included a deemed common equity ratio of 36 per cent from 33 per cent and incentives for managing cost through fixing certain components of the revenue requirement.
- June 2006. TCPL filed an application with the NEB seeking approval to transfer a portion of TCPL's Canadian Mainline natural gas transmission facilities to the Keystone oil pipeline project which was approved by the NEB in February 2007. Additionally, in December 2006, TCPL filed an application with the NEB for approval to construct and operate the Canadian portion of the Keystone oil pipeline.



