TRANSCANADA PIPELINES LIMITED

Energy Services

1997 Annual Report

TransCanada

Industry Outlook	Our Response
■ Competition is becoming more sophisticated and intense as deregulation of the energy industry unfolds. We anticipate that there will be increased competition to provide transportation to key markets in North America. ■ At the same time, the uncertainty posed by contract renewal issues places the Canadian Mainline at risk as it continues to expand to meet customers' requests for service.	■ By November 1998, planned expansions to our energy transmission assets should alleviate price differentials between basins and perceived natural gas pipeline capacity shortfalls out of the WCSB, two years in advance of the proposed Alliance pipeline. ■ We are striving to strengthen our position as the low-cost transporter of natural gas from the WCSB by keeping costs down and developing innovative, cost-effective products and services. ■ We are working to change the regulatory and industry framework which currently discourages creative solutions to the contract renewal issue. ■ We have crafted a dynamic strategy for the energy transmission business that allows it to act and react like a non-regulated business.
■ We anticipate stiffening competition and volatility in energy markets, and a reduction in margins due to increased price transparency.	■ To increase the competitive edge we now enjoy, we are pursuing infrastructure investments. This will help us geographically expand our energy marketing services and our crude oil gathering, transportation and marketing businesses will be better able to meet the competition and take advantage of volatility.
■ In Alberta, we anticipate higher natural gas prices as basin differentials disappear when new pipeline construction is complete, and increasing costs in the natural gas liquids extraction business. ■ Technical developments like 3-D seismic surveys and deep water drilling have increased the supply of natural gas from the Gulf of Mexico and the southern U.S., regions once thought mostly depleted of natural gas resources. Production from these areas is now expected to grow, renewing the need for onshore processing facilities that have been in decline for the past decade. ■ Deregulation of the electric industry in Canada and the U.S. has not been clearly defined and is being resolved largely on a regional basis.	■ We will continue to lower operating costs while improving the quality of our service. ■ We will increase our investment in Canadian extraction and gas gathering and processing and expand our gas processing and liquids business in the southern U.S. to capture opportunities presented by renewed exploration and production activities in the region. ■ We will focus our investments in power generation in areas where assets can be built around markets and enhanced through marketing.
■ In the past decade, political and economic barriers between nations and regions have tumbled. Markets have deregulated and liberalized and regulated industries have privatized, increasing global investment opportunities. In many areas of the world, underdeveloped energy resources are located adjacent to growing industrial and consumer markets. This creates the opportunity for profitable investment and development activities in the international energy sector.	■ We will locate the correct mix of supply and demand, and then assess the regulatory, economic and political climate of prospective countries to determine their suitability for investment. We will pursue opportunities only when all factors suggest an encouraging climate for private investment and the probability for enhanced earnings for our shareholders.

Business Segment	Description
Energy Transmission	■ Our energy transmission business, comprised of the Canadian Mainline and investments in eight natural gas pipelines and one crude oil pipeline, transports energy from the Western Canadian Sedimentary Basin (WCSB) to Canadian and U.S. energy markets.
Energy Marketing	■ TransCanada markets energy products and services throughout Canada and the United States, including natural gas and natural gas liquids, crude oil and refined products, and electricity.
Energy Processing	■ Using natural gas as a feedstock, our energy processing assets produce energy and specialty chemicals products that are sold by TransCanada. ■ TransCanada is one of North America's largest natural gas liquids producers; we own two world-class specialty chemical operations; we own and operate gas processing plants; and we have a 40 per cent interest in and operate the Ocean State Power Plant, the first independent power generation plant built in North America. ■ In 1997, TransCanada transferred 100 per cent of its three Ontario power generation plants, North Bay, Kapuskasing and Nipigon, to a limited partnership, TransCanada Power, L.P., and retained a 50 per cent interest in the partnership.
International	■ In much of the world, industrialization and population growth have boosted demand for reliable sources of affordable energy. With our experience in energy transmission, marketing and processing, TransCanada is positioned to meet the needs of our international customers. In-house, we can tap the services of product specialists in natural gas, crude oil, refined products, and natural gas liquids, and experts in pipeline design and operation. ■ We also provide marketing, consulting and contract services to assist industrializing countries with the development of indigenous energy resources.

At TransCanada, we believe the ability to provide energy products when and where they're needed will distinguish the energy company of the future. This is what we mean by world-class energy services.

And it's why we're working to offer our customers more services and more products in more locations than our competitors.

And it's why our **Energy Transmission, Energy Marketing, Energy Processing** *and* **International** *businesses work together to provide one-stop service, whether our customer needs to transport natural gas or crude oil, market or process an energy product, buy, sell or produce electricity or develop an energy infrastructure project to serve an emerging market.*

At TransCanada, we are resolved to be the company our customers think of first when they need a solution to an energy problem... because we understand that by providing world-class service to our customers, we become a first-class asset for our investors.

B a l a n c e d

managing risk to maximize return

This year TransCanada salutes the people who use our energy services to warm and brighten their world. We hope you enjoy meeting some of our customers in our 1997 annual report – we're at their service.

About the cover

Jack Trykoski and Manny Garza, TransCanada Gas Processing USA, greet customer Danny Coolidge, Manager, Midstream Optimization for UNOCAL in Houston, Texas.

Operating 2,700 active wells in 355 fields, UNOCAL is one of the largest oil and natural gas producers in the Gulf of Mexico.

UNOCAL supplies natural gas for processing in three of TransCanada's four gas processing plants in Louisiana. With the strategic acquisition and expansion of gas processing facilities in the region, TransCanada is positioned to profit from opportunities created by renewed onshore and offshore production.

Corporate Profile

TransCanada PipeLines Limited is one of North America's leading energy services companies. We manage our $14.6 billion of assets to provide integrated energy transmission, energy marketing and energy processing solutions to customers in North America and, to an increasing degree, internationally.

Common shares trade under the symbol TRP, primarily on the Toronto, Montréal and New York stock exchanges.

Mission Statement

Our mission is to increase shareholder value. We do this by providing world-class energy services to our growing number of customers around the world. For us, this means providing integrated energy transmission, energy marketing and energy processing solutions for our customers.

g r o w t h

not just bigger, but stronger

Our net income to common shares rose $22.4 million to $407.6 million in 1997. On a per share basis, earnings remained unchanged at $1.85. These financial results reflect the strong contributions from all our businesses except those affected by petroleum and products prices during 1997.

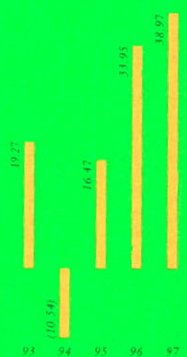
Revenues, funds from operations and assets all increased in 1997 compared to 1996 and we remain confident that we will achieve our earnings per share targets of $2.40 by 2000 and $3.00 by 2002.

(millions of dollars)

Common Shareholders' Equity rose 8% compared to 1996

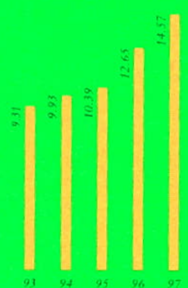
(%)

Return on Average Common Equity declined due to a decrease in Canadian Mainline allowed return



(%)

Annual Return on Shareholders' Investment rose 15% compared to 1996*



(billions of dollars)

Total Assets increased 15% compared to 1996

Total shareholder return for 1997 was

39%

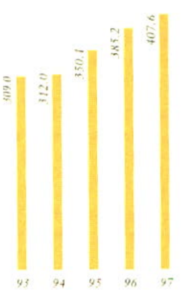
an increase of 15 per cent compared to 1996 and more than triple our target.

** The return on an investment consists of the total of dividends received and reinvested and the capital gain or loss on the shares during the year.*

Letter to Shareholders

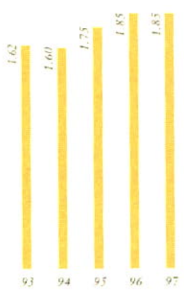
(millions of dollars)

Funds Generated from Operations continued to increase



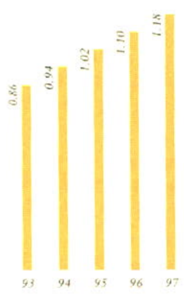
(millions of dollars)

Net Income to Common Shares rose by $22.4 million compared to 1996



(dollars)

Net Income Per Share remained unchanged in 1997



(dollars)

Dividends Declared Per Common Share increased 7% compared to 1996

We've come a long way In the early 1990s, as energy industry deregulation continued and global trade barriers tumbled, we realized no single energy product or service could continue to dominate the market. We were right. Today there is no stand-alone natural gas, oil or electrical industry. These are parts of the whole – and the whole is energy solutions and services.

That's why we continue to transform TransCanada from a pipeline company into a world-class energy services organization. And that's why today, TransCanada is able to offer customers one of the widest assortments of energy products and services in North America.

We've layered profitable market-based businesses atop our regulated energy transmission business to create a portfolio of energy services for customers and to add value for our shareholders. We've increased the number of products we offer, expanded the services we provide and extended our geographical reach. We market energy products throughout Canada and the U.S.; we transport crude oil to Chicago; we transport natural gas to New York City and everywhere in between; we process energy from the Western Canadian Sedimentary Basin (WCSB) and the Gulf of Mexico; and we are helping to develop the energy infrastructure for emerging markets in Latin America and southeast Asia.

What does this mean for shareholders? In 1995, we set three long-term financial targets: we pledged to provide a total return to shareholders at a minimum level of 12 per cent annually; we resolved to increase earnings per share by 50 per cent in five years; and we projected an equal contribution in earnings from our market-based and regulated businesses by 2000. Let's look at our scorecard so far:

Target 1: Total shareholder return at triple our target In 1997, our total shareholder return was 39 per cent, outstripping the 34 per cent achieved in 1996, and more than triple our target. Total shareholder return is commonly measured as a combination of capital appreciation of the stock and the reinvested dividend. Granted, the bull market in equities played a large part in this, but the performance of our stock established by the financial community exceeded that of both the TSE Composite and the Dow Jones indices.

Target 2: On course Our second target was to increase total earnings per share to $2.40 in 2000 from the 1994 level of $1.60 per share. At last year's annual meeting we raised the hurdle and called for $3.00 per share by 2002. We believe we'll hit these targets, although earnings per share was $1.85 in 1997, unchanged from 1996.

As TransCanada continues to build market-based businesses, our earnings will become less predictable. This volatility was evident in our 1997 results, particularly for petroleum and products marketing and the U.S. gas processing businesses. As we continue to balance our portfolio, however, contributions from any single segment will become less critical to our overall performance. This is the strength of diversity.

Target 3: An elusive goal Last year we told you that because of growth in our regulated businesses beyond what was projected in 1995, it would be difficult to achieve an absolute balance between our regulated and market-based businesses by 2000. We continue to believe this, and in 1997 the portion of market-based earnings reached 18 per cent from 12 per cent in 1994. But with our proposed merger with NOVA Corporation (NOVA) adding a large regulated business to our overall energy services portfolio, this goal will be more elusive in the near term.

While reaching an even balance between market-based and regulated businesses may be delayed, we don't consider this a negative. There are many positive aspects to the addition of a large, regulated enterprise that make the proposed merger with NOVA hugely attractive. Our regulated businesses form the base from which we build for the future. The stronger that base, the better our future. It's important for TransCanada to be flexible enough to see and capture opportunities that add value as they arise, regardless of whether they come from market-based or regulated businesses. Nevertheless, this balance remains a target, albeit in a longer term.

Our business today: profitable and prepared TransCanada is organized into four business units. Our energy transmission business contributed $333.9 million to net earnings in 1997, 82 per cent of total net earnings for the year.

"We've created a portfolio of energy services for our customers and energy investments for our shareholders... but we're not done yet."
George W. Watson
President and Chief Executive Officer

Our energy marketing business markets natural gas and crude oil, petroleum products and electricity throughout the continent and acts as a window on the energy industry at home and abroad. In 1997, net earnings from energy marketing totalled $7.6 million, down considerably from the $27.9 million earned in 1996. While our natural gas marketing business continued its strong performance in 1997, earnings from the petroleum and products marketing business decreased substantially during the year. This was largely because of declining crude oil prices, mild winter weather and price discounting by refiners.

The largest contribution to growth in 1997 came from our energy processing businesses, comprised of gas gathering and processing assets in Canada and the U.S., specialty chemicals manufacturing plants, and power generation assets. Net earnings from this segment increased 48 per cent over 1996, and energy processing contributed 15 per cent of net earnings in 1997. The strong performance of most of our energy processing businesses was partially offset by reduced margins in the U.S. gas processing activities.

In 1997, our international segment realized its first fiscal year profit, with net earnings of $6.3 million.

Competition rules tomorrow's energy industry Turning to TransCanada's outlook for 1998 and beyond, it is important to understand the strong competitive forces that have shaped our industry over the past few years. Today we are moving away from cost-of-service regulation; transportation service has become as much a commodity as is the product in our pipelines; competition to our pipeline systems is increasing at the same time as competition within each sector of energy services escalates; and our customers are demanding premium energy transportation, marketing and processing services at the lowest possible cost. TransCanada has changed as much as the markets have changed. These market forces are major opportunities for TransCanada to grow and we intend to capitalize on them.

To develop these opportunities, we have worked vigorously to generate revenues and lower costs, all in the interest of increasing shareholder value. Since the late 1980s, we have expanded our Canadian Mainline and increased our participation in new pipelines. TransCanada has led in the transformation of the energy industry. We were the first to negotiate an incentive cost recovery and revenue sharing agreement which provides incentives to minimize costs and maximize revenues. This was aimed at the goal of remaining the low-cost transporter to growth markets in North America.

A bold response And our business is demanding more change. Late last year we reached a fork in the road. TransCanada could continue to face these challenges alone – and we have been doing quite well at this – or we could take a bold step forward. The proposed TransCanada/NOVA merger is that bold step into the future. Here's why:

Under the terms of an agreement signed January 24, 1998, each NOVA common share will be exchanged for 0.52 TransCanada common shares. After the merger, NOVA's existing chemicals business will be split off into a separate, publicly traded company. This will create an independent world-class chemicals business as well as a world-class energy services corporation owned by the combined TransCanada/NOVA shareholder group.

We believe the TransCanada/NOVA merger will allow us to capitalize on economies of scale, to generate new market-based business opportunities and to position ourselves for growth. We anticipate the growth in earnings of the new energy services company ultimately will be greater than either of the two companies could have generated on their own.

"The proposed merger is a bold step into the future."

Gerald J. Maier

Chairman of the Board of Directors

We resolve to increase service, streamline operations and compete to win The energy services company will be the fourth largest of its kind in North America. It will have the financial resources and expertise to compete across the continent and around the world.

The energy services company will move energy seamlessly from the wellhead to the market by offering a broad range of gathering, midstream and transmission services. Customers will benefit from newly created economies of scale and reduced operating costs and, ultimately, tolls. And investors will benefit from our greater financial strength which will allow us to pursue the opportunities that are out there.

With the receipt of necessary shareholder and regulatory approvals, the proposed merger will be completed in 1998. This will be a year of consolidation as we absorb the costs of the merger, and we don't anticipate increases in earnings this year. The benefits of the merger should become evident in 1999.

This is a unique opportunity for both TransCanada and NOVA. By merging, we expand our investment opportunities in North America and around the world. We are growing not just bigger, but stronger.

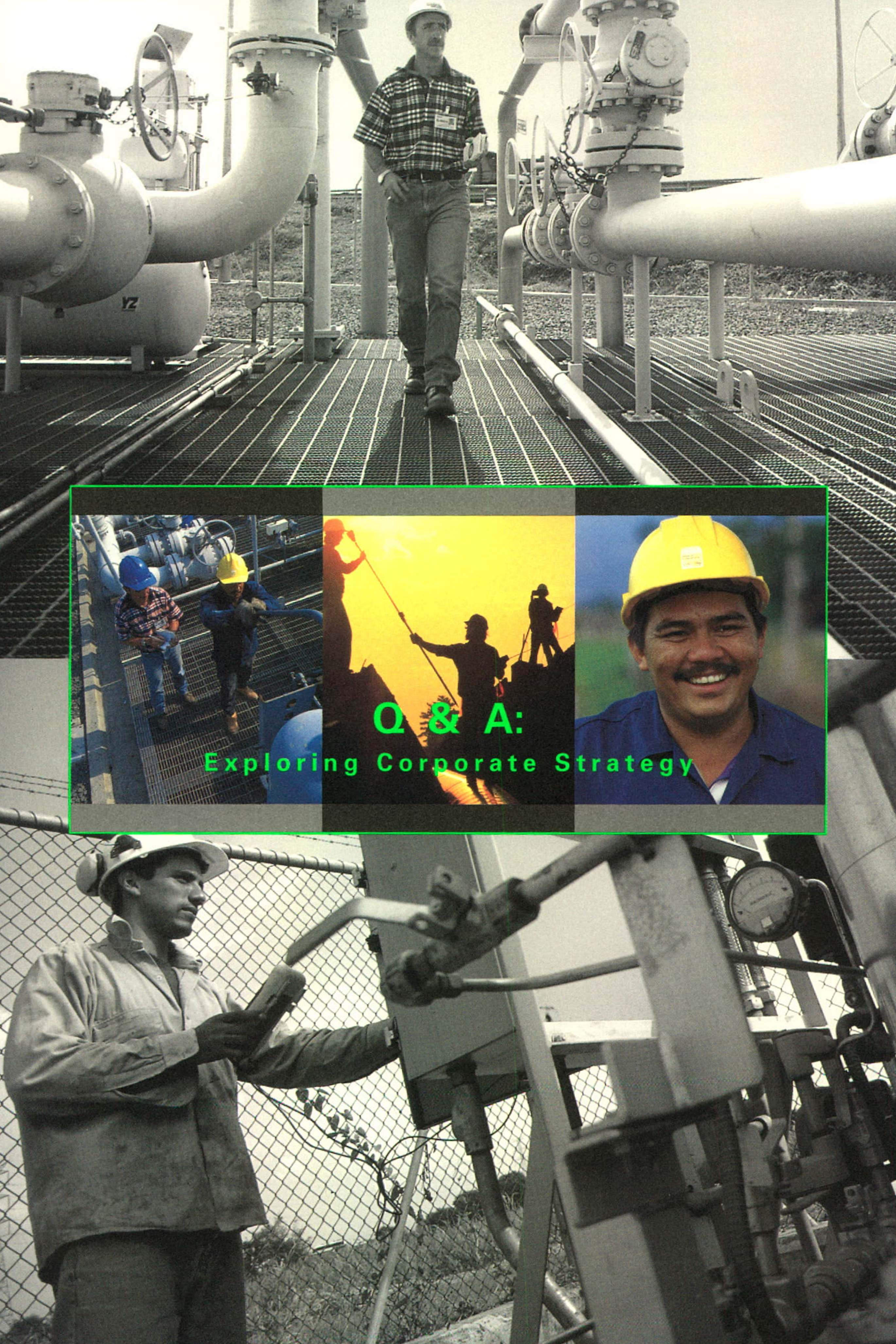
While our company will change dramatically in the years to come, we guarantee our fundamental corporate values will stay the same. We are resolved to increase the return to our shareholders and protect their investment; we will strive to constantly improve our service to our customers; and we will foster a working environment for employees that emphasizes and rewards initiative, involvement, innovation and the achievement of goals. We will continue to uphold TransCanada's commitment to respect the environment and contribute to the communities in which we do business; we will continue to conduct our operations with the safety of the public and employees as our highest priority; and we will continue to conduct our business to the highest ethical standard in Canada and internationally.

Today's world moves at lightning speed. While change is rarely easy and often painful, it is necessary to keep pace with developments that are altering the shape of our industry forever. In 1997, TransCanada's employees continued to anticipate, adapt and even value the changes that are reshaping our industry. We thank them for another successful year, and remain confident that our team is ready to take our company into the future.

George W. Watson
President and Chief Executive Officer
March 27, 1998

Gerald J. Maier, P. Eng., F.C.A.E.
Chairman of the Board of Directors

Photos:
TransCanada's 3,000 employees manage assets in excess of $14 billion throughout the world. Our corporate family includes engineers, scientists, accountants, pipeline specialists, marketers, economists and other highly skilled and innovative individuals who share a commitment to customer service.



Q & A:
Exploring Corporate Strategy

Q: So far the petroleum and products marketing business has not contributed very much. Why is this, and how are you going to correct it?

A: Low price volatility and a lack of demand growth reduced our operating profits in 1997, as well as those of other companies in similar businesses in North America. However, we believe we suffered less than most of our competitors because of our risk management policies.

By ourselves we cannot increase the volatility in the markets. But we must continually create profit opportunities by positioning ourselves to take advantage of both arbitrage situations and price volatility.

Q: Express Pipeline has been a disappointment. What are your plans to rectify the situation?

A: Although the competition from U.S.-based crude oil has been stronger than anticipated, the major problem for Express Pipeline has been mechanical. The section of the line from Casper, Wyoming to Wood River, Illinois is operating below capacity. While the line break that originally caused this has been fixed, we are waiting for approval from the U.S. Office of Pipeline Safety to increase throughput capacity. In the meantime, we are trying to mitigate unfavourable market conditions by expanding the markets served by Express Pipeline.

Q: Why do you keep changing your plans regarding new gas transmission routes to the U.S. northeast?

A: Our plans change as opportunities arise and as market intelligence proves itself. But our unchanging objective is to strengthen our position as the low-cost transporter of western Canadian natural gas. To profitably compete today, we must be prepared to modify our plans as required. We will continue to attempt to keep shareholders up to date with our thinking, which by necessity will include information on any shifts in tactics.

Q: You have said you want to build TransCanada's non-regulated businesses. How does the proposed merger with NOVA, which also has a large regulated business, fit into that strategy?

A: We continue to believe that non-regulated or market-based businesses will be the driving force to create value for our shareholders in the future. That hasn't changed. What has changed is that we can now build these businesses on a much larger and more powerful regulated base.

Q: Are your targets of earnings per share of $2.40 in 2000, $3.00 in 2002, and of an even split between the earnings of the regulated and market-based businesses still attainable?

A: Yes, they are, considering the combined contribution from both TransCanada's and NOVA's stock. Our comfort with the current earnings targets and the 50/50 earnings split between regulated and market-based businesses is very high, although the time frame for reaching the latter target is now longer. These targets will be revisited once the merger is complete and we anticipate that our earnings per share targets will be higher.

Q: EPS growth was small in 1996 and flat in 1997. When can I expect to see an upturn?

A: Beginning in 1999. Although we are targeting for the energy services business to grow faster than either TransCanada or NOVA would alone, the costs of the merger will offset most of the growth in earnings in 1998. Beyond that, benefits from planned revenue enhancements and synergies will become evident.

Q: What influence will Alliance pipeline, if built, have on the new organization that will be created as a result of the TransCanada/NOVA merger?

A: The Alliance pipeline will have little influence over the operations of the new energy services company. However what Alliance represents – that competition is here and here to stay – has been predominant in our minds as we plan the new organization. The transaction offers tremendous opportunity to take the best that both TransCanada and NOVA have to offer and combine it into a new, strong force within the energy industry. We will create a new company to be an aggressive competitor, one that always will be in a position to compete to win.

Pipeline and customer relationships are changing dramatically. Many of our largest customers also compete with TransCanada, reflecting the complex nature of today's natural gas industry. An integrated natural gas storage, transportation and distribution company, Union Gas is one of our competitors in energy services. But the company is also our partner in the North America pipeline grid and depends on TransCanada for timely, cost-effective transportation services. What makes our relationship work is our ability to combine a customer-first attitude with strong neighbourhood values: caring, respect and honesty.

strong neighbourhood values in a

Union Gas is tasked with delivering energy to millions of customers in eastern Canada and the northeastern United States. First, TransCanada must deliver the gas to Union Gas. But it's not always easy to get the gas where it's going. For **Mike Safranyos** *of Union Gas, that's where cooperation comes into play. "Whenever we have a problem, TransCanada and Union Gas look at options to minimize the effect on our customers. Working together we know we can minimize disruptions and serve our customers better. And good service is the name of the game."*

Mike Safranyos, right, manager, Union Gas


complex industry

When we started doing business in other parts of the world,

we knew it would be tough. Different rules and regulations,

different languages, different problems... and no cookie-cutter solutions.

So we started slow, meeting new people, listening to what they needed,

building relationships, learning as we went along.

Today, we're quicker, we're more flexible,

and our international businesses are profitable.

sowing the seeds for a brighter

Rafaela Paz *and her brother* **Luis Damian Paz**

of Cerrito Valle, Colombia, display their first bean crop of 1998.

Working to turn their family farm into a profitable commercial venture,

the Paz family grew this bumper crop with the assistance of a TransGas grant.

As well as helping to establish the energy infrastructure that has provided

Colombians with natural gas for factories, homes, hospitals and schools,

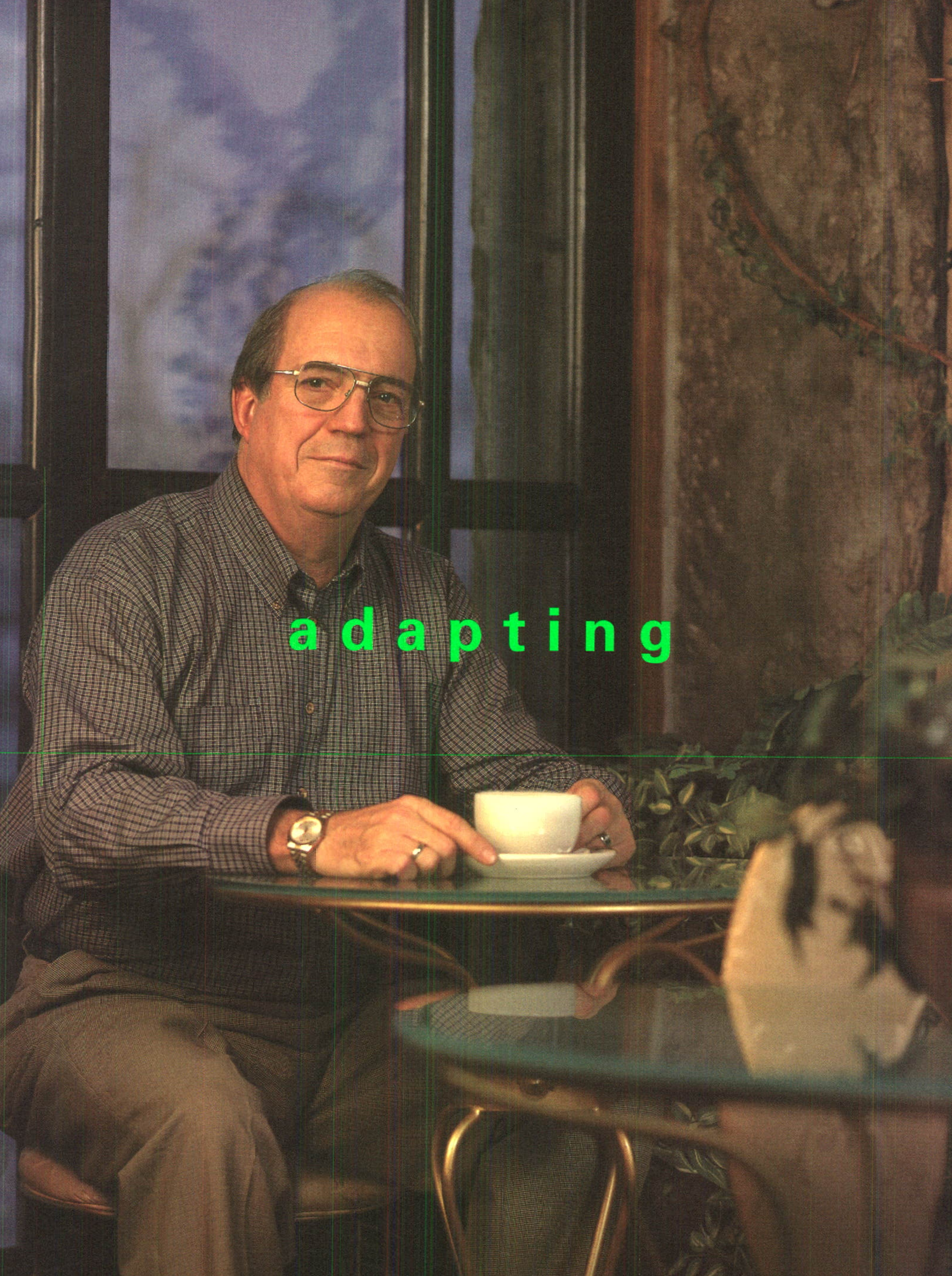
TransGas, 34 per cent owned by TransCanada,

has distributed small business and improvement grants

to landowners along the pipeline right-of-way.

Rafaela Paz and **Luis Damian Paz**, right, landowners, Colombia


tomorrow


adapting

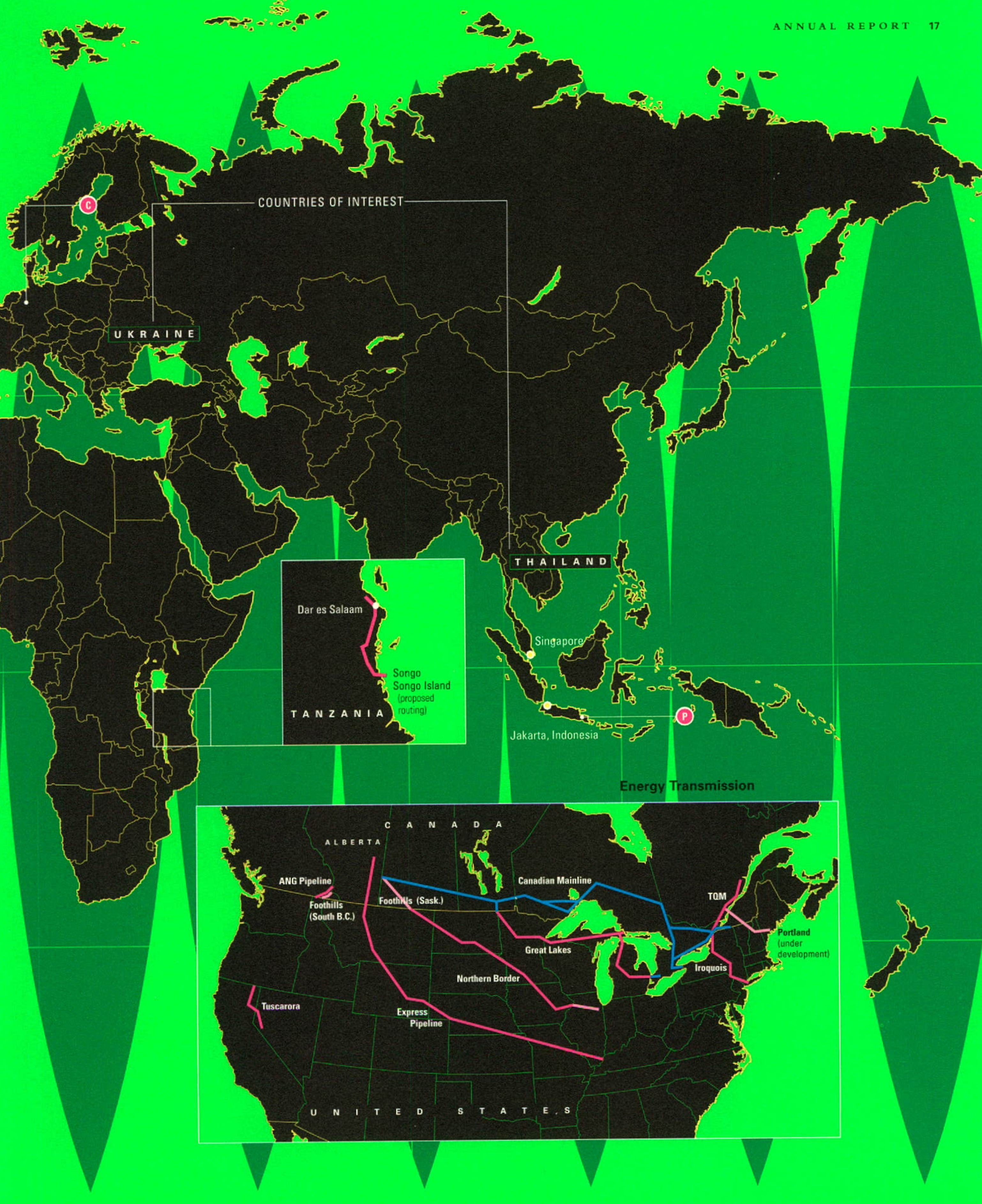
Thirty-six years ago, Hydro Agri Canada L.P. (Hydro Agri), formerly Nitrochem Inc., began supplying inorganic chemicals to industries in Canada and the United States from their Maitland, Ontario plant. Today, with annual sales of approximately $170 million, Hydro Agri has grown into a significant supplier of chemical products. **Jack Ride** *at Hydro Agri is frank about the company's growth. "In great measure, we owe our success to the reliable and economic supply of the natural gas used as feedstock at our plant.*

business to compete in a changing world

"The background of our survival, and where we are today, is due to our pioneering direct purchase agreement with TransCanada, allowing us to reduce costs and compete in the North American market." The company was one of the first industrial firms to arrange for TransCanada to transport gas for it directly, following the historic 1985 Western Accord which led to the deregulation of the natural gas industry in Canada. Today, TransCanada has contracts for transportation service with 90 end-use customers in Canada and the United States.

Jack Ride, left, vice-president, Hydro Agri


Energy Marketing
NG Natural Gas
O Crude Oil
RP Refined Products
GL Natural Gas Liquids
E Electricity
Energy Processing
Gathering, Processing & Extraction G
Power Plants P
Specialty Chemicals C
Corporate Offices
Marketing Offices
International Offices
Calgary
Toronto
Houston
Bridgetown, Barbados
Caracas, Venezuela
Mérida (under development)
Mexico City
MEXICO
Coveñas
Bucaramanga
Cupiagua
Mariquita
Cusiana
Bogotá
Cali
COLOMBIA


COUNTRIES OF INTEREST
C
UKRAINE
THAILAND
Dar es Salaam
Songo
Songo Island
(proposed
routing)
TANZANIA
Singapore
Jakarta, Indonesia
P
Energy Transmission
CANADA
ALBERTA
ANG Pipeline
Foothills
(South B.C.)
Foothills (Sask.)
Canadian Mainline
TQM
Portland
(under
development)
Great Lakes
Iroquois
Northern Border
Tuscarora
Express
Pipeline
UNITED STATES

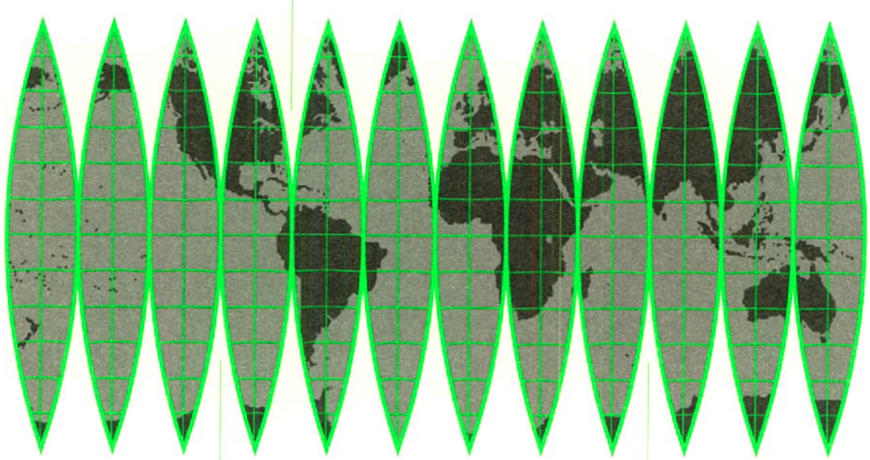
TransCanada's consolidated net income to common shares (net earnings) for 1997 was

$407.6 million

Photo to the right:
Gary Lloyd and Mary Pollock plan an investor seminar.

1997 EARNINGS
at-a-glance

Energy Transmission
$333.9 million



Energy Marketing
$7.6 million

Energy Processing
$61.4 million

International
$6.3 million

Net Income/(Loss) Applicable to Common Shares

(millions of dollars except per share amounts)	1997	1996	1995
Energy Transmission	**333.9**	323.6	306.3
Energy Marketing	**7.6**	27.9	10.3
Energy Processing	**61.4**	41.6	32.1
International	**6.3**	(5.2)	(13.1)
	409.2	387.9	335.6
Unallocated amounts	**(1.6)**	(2.7)	14.5
Net income applicable to common shares	**407.6**	385.2	350.1
Net income per share	**$1.85**	$1.85	$1.75

In 1997, the strong contributions from most of TransCanada's business operations were masked by the deterioration in petroleum and products prices and the costs associated with the ongoing expansion of the energy transmission business. The narrow movement in crude oil prices throughout most of 1997, and the sharp decline in prices in December, produced poor results in the petroleum and products marketing and U.S. gas processing businesses. The impact of the costs related to expansion of the energy transmission business is seen in the form of start-up losses associated with the Express oil pipeline system (Express Pipeline) and increased project development expenses.

Non-regulated operations contributed 18 per cent of total net earnings in 1997, increasing from 16 per cent and 13 per cent in 1996 and 1995, respectively. As TransCanada continues to expand into more market-based businesses, our earnings will become less predictable than in the past. However, management believes the move to market-based businesses will provide opportunities to increase value for our shareholders.

Canadian Mainline – 100% owned
The Canadian Mainline stretches from the Alberta/Saskatchewan border to the Québec/Vermont border and connects with other natural gas pipelines in Canada and the U.S. It is a major transporter to Canadian markets.

Great Lakes – 50% owned
Great Lakes connects with the Canadian Mainline at Emerson, Manitoba and carries gas to markets in Canada and the eastern and midwestern U.S.

Northern Border – 30% owned
Northern Border connects with Foothills (Sask.) and carries gas to U.S. midwest markets.

Iroquois – 29% owned
Iroquois Gas Transmission System connects with the Canadian Mainline in eastern Ontario and carries gas across the St. Lawrence River to customers in the U.S. northeast.

Tuscarora – 50% owned
Tuscarora Gas Transmission Company connects with the PG&E Gas Transmission – Northwest system (PGTN) and transports gas from Oregon to markets in northeastern California and Nevada.

Foothills (Sask.) – 44% owned
Foothills (Sask.) carries gas from Alberta's eastern border to Northern Border.

TQM – 50% owned
TQM connects with the Canadian Mainline and transports natural gas from Montréal to Québec City.

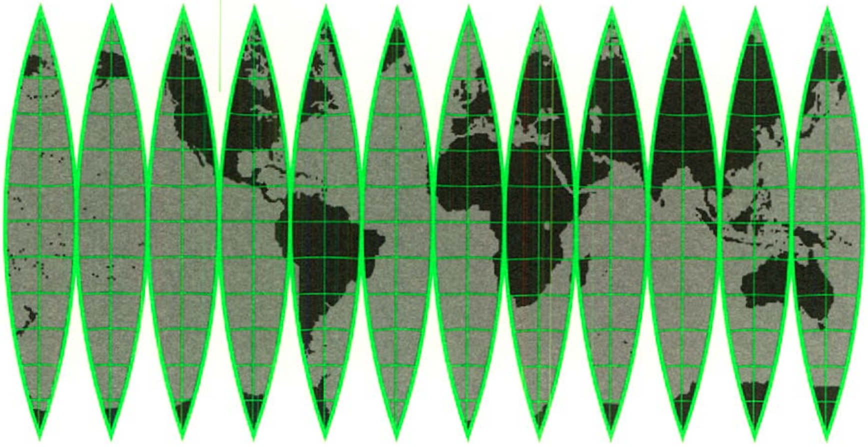
ANG Pipeline – 100% owned
ANG Pipeline carries gas from Alberta's western border through British Columbia to the U.S. border, where it connects with PGTN.

Foothills (South B.C.) – 49% owned
Foothills Pipe Lines (South B.C.) connects with the NOVA system and transports gas to markets in California and the U.S. Pacific northwest.

Express Pipeline – 50% owned
Express Pipeline moves crude oil from Hardisty, Alberta to Wood River, Illinois.

Photo to the right:
TransCanada uses patrol helicopters to check every kilometre of the Canadian Mainline weekly to protect public safety.

ENERGY
Transmission



1997 net earnings from the Energy Transmission segment were

$333.9 million

Energy Transmission

Canadian Mainline The Canadian Mainline posted a strong financial performance in 1997 – net earnings of $257.8 million represent a $7.1 million increase over 1996. These results were achieved despite the 58 basis point reduction in the approved rate of return on common equity to 10.67 per cent. The reduction in the rate of return was more than offset by earnings on the increase in average rate base and the positive effects of TransCanada's second year under incentive regulation.

Annual deliveries of natural gas on the Canadian Mainline set another record in 1997 – a total of 2,506.2 billion cubic feet (Bcf) was transported, or an increase of 2.8 per cent over 1996 volumes of 2,437.8 Bcf.

This represents the tenth consecutive year of record volumes, a reflection of increased services to customers resulting from the construction of new facilities. In 1997, export deliveries were 47.1 per cent of total deliveries, compared to 48 per cent and 49.3 per cent in 1996 and 1995, respectively.

During 1997, the Canadian Mainline met firm service requirements and raised a significant amount of discretionary revenue while successfully implementing modifications to compressor stations and undertaking an accelerated pipeline maintenance program. The Canadian Mainline again undertook a successful construction program in 1997, adding 287 million cubic feet (MMcf) per day to its pipeline system by November 1997, at a cost of approximately $900 million.

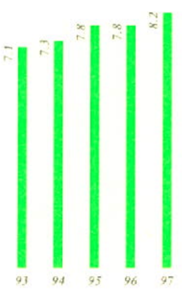
The Canadian Mainline is regulated by the National Energy Board (NEB). The NEB sets tolls for the Canadian Mainline which allow for the recovery of projected costs of transporting natural gas and provide a return on the investment in the Canadian Mainline rate base. Approved tolls set by the NEB are based on TransCanada's Incentive Cost Recovery and Revenue Sharing Settlement (Incentive Agreement) described on page 22. New facilities are approved by the NEB before construction begins. Changes in rate base or the return on common equity affect net earnings of the Canadian Mainline. Most of the operating and financing costs of the Canadian Mainline are fixed and are recovered monthly from customers.

The NEB also allows the Canadian Mainline to record an Allowance for Funds Used During Construction (AFUDC) which includes a return on common equity. AFUDC varies from year to year depending on the size of the construction program and the rate of return. Total AFUDC in 1997 was $22.7 million, compared to $14.1 million and $9.2 million in 1996 and 1995, respectively.

Incentive Regulation

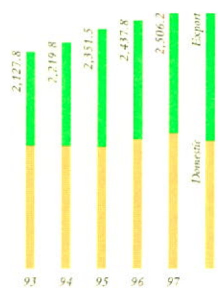
The Incentive Agreement, approved by the NEB in February 1996, has a term of four years and began January 1, 1996. The Incentive Agreement was developed via a multi-party negotiation process with our major domestic and export customers and suppliers and provides an incentive to minimize costs, maximize discretionary revenues and manage foreign exchange and interest costs.

In 1997, TransCanada generated discretionary revenues and managed costs to earn a rate of return on common equity for the Canadian Mainline of 11.25 per cent – 58 basis points greater than our approved rate of return of 10.67 per cent. This is comparable to 1996 results when we achieved an increase of 60 basis points above the 1996 approved rate of 11.25 per cent. Under the terms of the Incentive Agreement, our customers will receive their share of discretionary revenues earned in 1997 – estimated to be approximately $26 million – through a credit to the cost of service in 1998.



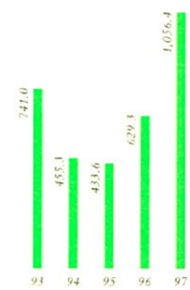
(Bcf)

Canadian Mainline Peak Day Delivery



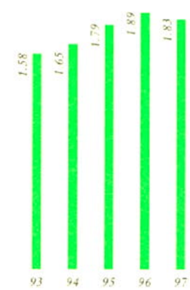
(Bcf)

Canadian Mainline Volumes Delivered



(millions of dollars)

Canadian Mainline Capital Expenditures



(billions of dollars)

Canadian Mainline Revenues

Canadian Mainline Outlook In 1998, the Canadian Mainline must continue to provide a variety of cost-effective services to our customers while respecting safety and environmental considerations. The Canadian Mainline is working with the other business operations within TransCanada to maximize skills and resources for greater profit and to develop new, non-regulated businesses that are complementary to its operations.

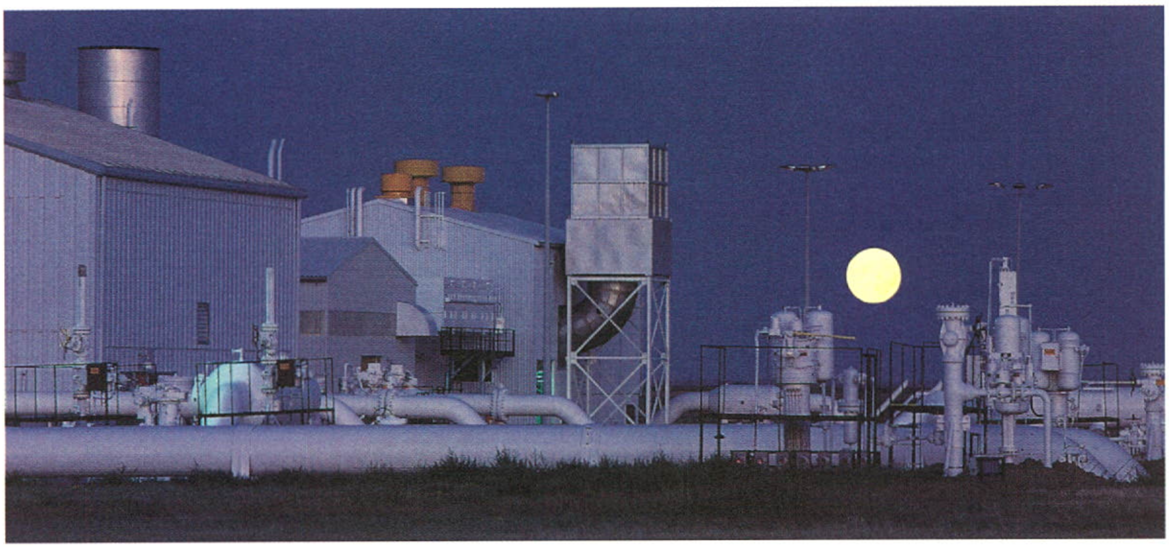
Our long-term objective is to strengthen the Canadian Mainline's competitive position as the low-cost transporter of western Canadian natural gas to multiple markets across North America, thereby minimizing the risk associated with short-term contract renewals. The demand for capacity out of the Western Canadian Sedimentary Basin (WCSB) remains strong and TransCanada intends to address this demand in a market-responsive manner.

Rate of Return

The allowed rate of return on common equity for 1998 is 10.21 per cent on a deemed common equity ratio of 30 per cent, based on the predetermined adjustment mechanism in the NEB's 1995 Multi-Pipeline Cost of Capital Decision. The decrease in the return of 46 basis points, when compared to 1997, will reduce net earnings in 1998 by approximately $11.3 million. However, this decrease should be offset by increased earnings of approximately $24.1 million on higher average rate base and the contribution from incentive regulation.

Capital Expenditures

The Canadian Mainline expects to spend approximately $1.1 billion in 1998, of which about $839 million is for capacity expansion of 447 MMcf per day and the balance is for system integrity. When complete, the total capacity added since November 1996 will be approximately 900 MMcf per day. NEB approval for the majority of facilities has been received.



Canadian Mainline Business Risks

Safety

Public safety has always been a top priority at TransCanada. Recent line breaks caused by stress corrosion cracking and general corrosion have increased our focus on safety. TransCanada accelerated its pipeline maintenance program in 1997 and set an objective to inspect internally, by the end of 1999, more than 10,000 kilometres of pipeline coated with materials other than fusion-bonded epoxy, the most technologically advanced pipe coating available. By the end of 1997, TransCanada had inspected 3,396 kilometres of pipeline. TransCanada's risk reduction program also resulted in replacement of approximately 34 kilometres of pipeline. Another 3,527 kilometres of pipeline is planned for internal inspection in 1998.

Photo above:

The Canadian Mainline transported a record 2,506.2 Bcf in 1997.

Environmental Emissions

A key issue for 1998 and beyond is the potential effect to TransCanada of the Kyoto Conference on climate change. TransCanada has taken a number of steps to respond to emission concerns. As a participant in Canada's Voluntary Climate Change Challenge and Registry, we have several initiatives under way to limit, reduce or offset the emission of greenhouse gases from the Canadian Mainline. These include increased use of transfer compression, conversion to dry gas seals, instrument air displacement, use of hot tapping procedures, retirement of less efficient compressor units and planting trees to offset emissions.

TransCanada has adopted a target to reduce emissions by 30 per cent on a per unit of throughput basis when compared to 1990 levels by 2000. We are on track to achieving this target, although the implementation of the accelerated pipeline maintenance program will result in a temporary increase in greenhouse gas emissions in 1998 and 1999. However, the long-term savings after 1999 are expected to offset these short-term emission increases.

Competition

TransCanada believes that competition in the natural gas transmission industry in Canada and the United States is inevitable. Alliance Pipeline (Alliance) is proposing to construct, by 2000, a 3,000-kilometre pipeline from northeast British Columbia to the Chicago area to increase export capacity for Canadian natural gas. If built, Alliance will compete with the Canadian Mainline and Northern Border Pipeline Company (Northern Border). The NEB hearing of Alliance's application is currently in progress and we cannot predict the outcome of that hearing.

Contract Term and Renewals

As TransCanada's existing long-term contracts expire, our shippers currently have the right, in perpetuity, to renew contracts for a minimum of one year with six months notice. This renewal right places TransCanada at risk because facilities could be built to serve specific customers only to have those or other customers not renew their contracts, leaving TransCanada with unused capacity. This risk has been heightened by proposals to build new pipelines which may intensify competition in the Canadian Mainline's core market of eastern Canada.

TransCanada has made unsuccessful attempts to change the renewal rights through the regulatory process in 1989 and 1993. In 1997, the matter was to be addressed in an NEB hearing, but that hearing was adjourned indefinitely. We are aggressively pursuing development of a solution that gives us the longer-term commitment necessary to build facilities, while providing shippers with options that encourage them to sign longer-term contracts.

Gas Supply

Production of natural gas from the WCSB has steadily increased since 1986, although the rate of increase has slowed in recent years. TransCanada believes that supply can be expected to meet domestic and export demands for the foreseeable future. However, if both Alliance and the 1999 Canadian Mainline expansion are built, an increase in supply is expected to be needed.

Photo to the right:
To meet increased market demand, the Canadian Mainline plans to spend \$1.1 billion in 1998.

North American Pipeline Investments

TransCanada's proportionate share of net earnings from its North American pipeline investments was \$76.1 million in 1997, compared to \$72.9 million and \$52.7 million in 1996 and 1995, respectively. Fiscal 1997 results reflect the strong operating performance from the Great Lakes Gas Transmission system (Great Lakes) resulting from higher short-term firm service revenues and lower operating expenses, as well as the impact of the weakening Canadian dollar relative to the United States dollar during the year. Losses incurred during the initial period of operations of Express Pipeline and the development expenses related to TransCanada's participation in several proposed North American pipeline projects partially offset these positive factors.

The results from Express Pipeline were negatively impacted by ongoing refurbishments to the section that runs from Casper, Wyoming to Wood River, Illinois and the 25,000 barrels per day throughput reduction imposed by the U.S. Office of Pipeline Safety (OPS) in July 1997. The after-tax loss incurred by Express Pipeline in 1997 was approximately \$8.5 million.

Project development costs of North American pipeline investments increased \$8.1 million to \$17.5 million (before tax) for the year ended December 31, 1997. The year-over-year increase reflects the higher level of activity associated with new pipeline projects.

Increased contributions from our North American pipeline investments in 1996, compared to 1995, were primarily due to the strong results from Great Lakes. The 1996 results reflect Great Lakes' increased throughput, as well as recoveries based on the Federal Energy Regulatory Commission (FERC) decision to allow rolled-in tolls related to a previous expansion.

North American Pipeline Investments Outlook

Great Lakes Construction of approximately 71 miles of pipeline loop and the addition of two compressor units are planned to be complete by November 1998. The expansion is designed to add 126 MMcf per day of longhaul capacity from Emerson, Manitoba to St. Clair, Ontario.

Northern Border The expansion of Northern Border's facilities to Chicago is under way and is planned to be in service by November 1998. It is designed to increase capacity by 700 MMcf per day.

Foothills (Sask.) Foothills Pipe Lines (Sask.) Ltd. (Foothills (Sask.)) is expanding its system by 700 MMcf per day to accommodate the increased capacity on Northern Border. Construction has commenced and the planned in-service date is November 1998.

TQM In February 1998, Trans Québec & Maritimes Pipeline Inc. (TQM) received conditional approval from the NEB for the construction of a 213-kilometre extension of its system from Lachenaie, Québec to East Hereford at the New Hampshire border. The extension is estimated to cost $270 million and will connect TQM to Portland Natural Gas Transmission System (Portland). The proposed extension is designed to deliver about 190 MMcf per day in 1998 and about 260 MMcf per day in 1999.

Portland (20% owned) Portland will interconnect with TQM at the U.S./Canadian border in Pittsburg, New Hampshire and with Tennessee Gas Pipeline in Haverhill and Dracut, Massachusetts. FERC has approved the project, and construction is expected to commence in the second quarter of 1998. The pipeline is expected to be in service in the fourth quarter of 1998.

	Length (kilometres)	1997 Peak Day Delivery (Bcf)	1997 Deliveries (Bcf)	1996 Deliveries (Bcf)
Canadian Mainline	14,492	8.168	**2,506.2**	2,437.8
Great Lakes	3,226	3.570	**921.3**	933.8
Northern Border	1,560	1.850	**633.3**	633.9
Iroquois	604	1.000	**329.2**	314.3
Tuscarora	369	0.113	**22.2**	18.8
Foothills (Sask.)	259	1.692	**558.5**	558.9
TQM	355	0.495	**120.0**	117.0
ANG Pipeline	177	1.471	**510.7**	467.1
Foothills (South B.C.)	166	1.094	**375.3**	367.9

Photo to the right:

In 1997, export deliveries comprised 47.1 per cent of total deliveries on the Canadian Mainline

ANG Pipeline ANG Pipeline is proposing to build a new pipeline across southern British Columbia to provide Alberta gas producers with direct access to markets in the interior and the lower mainland of British Columbia and the U.S. Pacific northwest. The proposed Kootenay Pacific Pipeline will be 560 kilometres in length with a capacity of 550 MMcf per day. It will extend from the ANG Pipeline to the B.C. lower mainland. If market support is sufficient, an application will be filed with the NEB seeking approval to start construction in the spring of 1999 for completion in late 2000. The estimated cost of the project is $530 million.

Millennium (21% owned) Millennium Pipeline (Millennium) is a proposed 425-mile pipeline extending from an interconnect with the Canadian Mainline in Lake Erie to Mt. Vernon, New York. If built, the pipeline will have a capacity of up to 700 MMcf per day with an anticipated cost of approximately US$680 million. In December 1997, Millennium filed for a Certificate of Public Convenience and Necessity with FERC.

Express Pipeline A pressure reduction imposed by OPS that lowered throughput by 25,000 barrels per day continues to be in effect. Discussions with OPS are ongoing to determine the remedial action required before the pressure reduction can be lifted. Options intended to improve the market conditions affecting Express Pipeline, including expanding market access to Salt Lake City, are being pursued.

Natural Gas

TransCanada markets 5 Bcf per day of natural gas in Canada, the U.S. midwest, northeast and Pacific northwest. In 1997, we sold 1.8 trillion cubic feet of natural gas.

Petroleum and Products

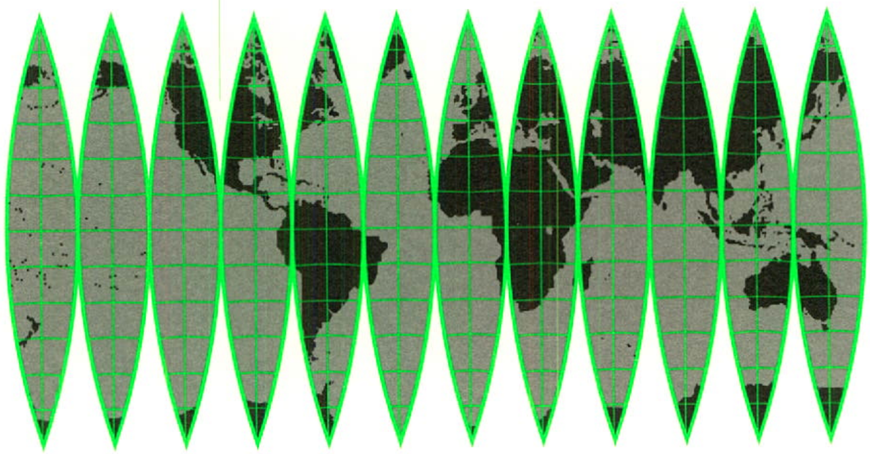
In 1997, TransCanada sold 110.7 million barrels of crude oil, 80.6 million barrels of refined products, and 18 million barrels of natural gas liquids throughout Canada and the U.S.

Power

In 1997, TransCanada marketed 1,654 gigawatt hours of electricity in Canada and the U.S.

Photo to the right:
In 1997, TransCanada captured marketing opportunities presented by the volatility in natural gas prices, partly due to the severe winter in eastern Canada and the United States in the first quarter of the year.

ENERGY
Marketing

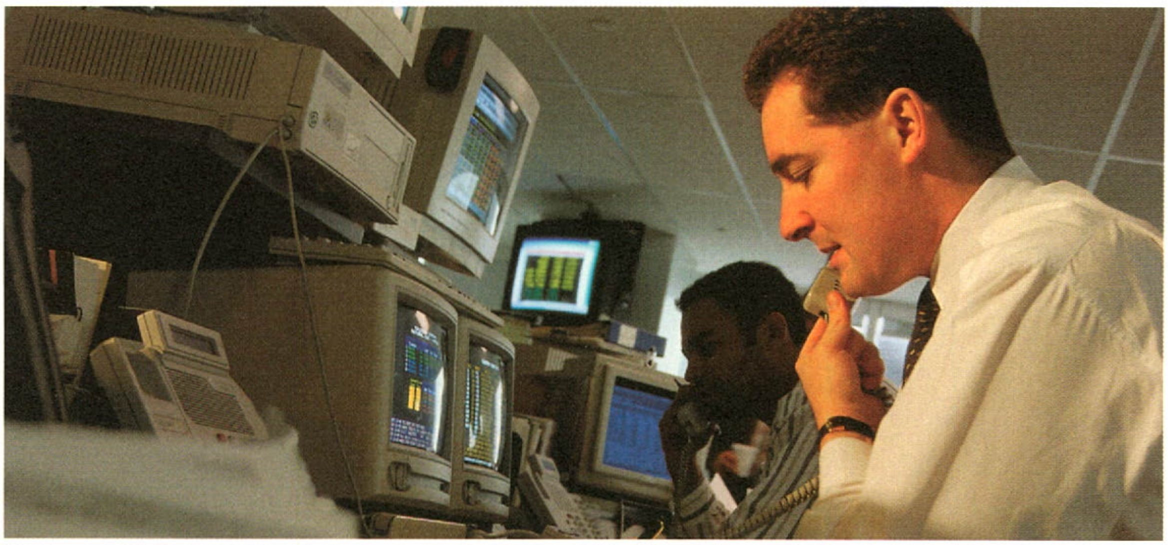


1997 net earnings from the Energy Marketing segment were
$7.6 million

Energy Marketing

The Energy Marketing segment contributed mixed results in 1997. The natural gas marketing business delivered a strong performance fuelled by its ability to capture marketing opportunities created by price volatility and by increased volumes sold during 1997. However, this strong contribution was offset by the reduction in net earnings from our petroleum and products marketing business. Net earnings from the Energy Marketing segment totalled $7.6 million in 1997, a decrease of $20.3 million compared to 1996.

Higher volumes and prices for natural gas, capturing marketing opportunities arising from high volatility in gas prices and strong refined products margins contributed to the increase in 1996 net earnings compared to 1995. The 1996 net earnings amount includes provisions totalling $11.1 million (after tax) related to the writedown of storage assets and the costs of relocating Calgary energy marketing employees to a single facility.

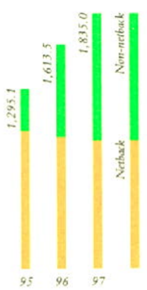


Natural Gas Consistent with 1996 performance, volumes and revenues increased during fiscal 1997. Natural gas marketing volumes sold during 1997 totalled 1,835 Bcf, increases of 14 and 42 per cent over volumes marketed in 1996 and 1995, respectively. This growth in volumes and revenues reflects market expansion from the acquisition of Cibola Energy Services Corporation (Cibola) and CanStates Gas Marketing in 1996, as well as increased marketing efforts in our pre-existing lines of business, particularly in Alberta, the western United States and the U.S. northeast. In addition, we captured marketing opportunities presented by volatility in natural gas prices which was partly due to the severe winter conditions experienced in eastern Canada and the United States in the first quarter of 1997.

TransCanada is one of the largest marketers of natural gas in North America – in 1997 we marketed approximately 5 Bcf per day of natural gas, up from 4.4 Bcf per day in 1996. Our gas marketing business extends from Alberta throughout Canada and into the western United States and across the northern tier of the United States, a sign of the geographically diverse nature of TransCanada's gas marketing activities. We offer customers a wide selection of supply, marketing, storage and transportation alternatives.

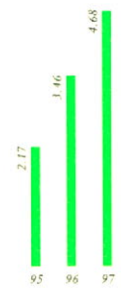
TransCanada generates approximately 49 per cent of its natural gas marketing revenues from sales of natural gas under a netback agreement with Alberta producers and marketers. The netback agreement provides for the purchase of natural gas in Alberta and its subsequent sale in Canada and the United States. TransCanada earns a marketing fee on the sale of natural gas under the terms of the netback agreement. The marketing fee is based on both volumes sold and prices obtained for natural gas. The principal risk to TransCanada with respect to netback sales is the level of the marketing fee in relation to operating costs. We also enter into contracts for the direct purchase and sale of natural gas where the principal risks are the price and performance risks associated with those contracts. These risks are managed by matching physical purchases and sales to the extent possible and through the use of financial instruments. This is described in the section on Risk Management on page 43, in Note 11 to the Consolidated Financial Statements, and in the Supplementary Information.

The net earnings from the natural gas marketing business are dependent upon a number of factors, including weather, pipeline operations, pipeline tariff structures and supply and demand. The industry has become highly competitive and the gas marketing business is constantly developing new services and strategies to maintain its competitive position.



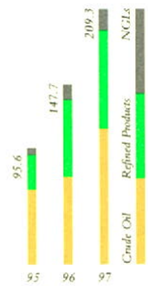
(Bcf)

Natural Gas Marketing Volumes Sold



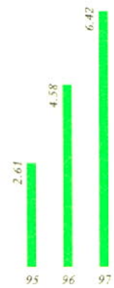
(billions of dollars)

Natural Gas Marketing Revenues



(millions of barrels)

Petroleum and Products Marketing Volumes Sold



(billions of dollars)

Petroleum and Products Marketing Revenues

Natural Gas Outlook The strategy of the natural gas marketing business is to continue to build relationships with producers and customers by providing new and diverse services, to maintain a strong presence in Canada, the western United States and the northern tier of the United States, and to expand our market presence in the northwest and northeastern United States.

Petroleum and Products The petroleum and products marketing business sold higher volumes in 1997 compared to 1996. However, financial results were negatively impacted by the narrow movement in petroleum and products prices throughout most of 1997 and the decline in prices in the month of December. Products marketing in both Canada and the United States was affected by the decline in the crude oil price, mild weather, price discounting by refiners, and, in anticipation of spring sales, an increase in inventories during a period of declining prices. These factors substantially reduced margins and produced a net loss from petroleum and products marketing activities in 1997.

Volumes of crude oil, refined products and natural gas liquids are purchased and sold primarily under short-term contracts with producers, customers and marketers in Canada and the United States.

TransCanada gathers, aggregates and markets crude oil on behalf of independent, small to medium size producers in western Canada, Texas and Louisiana. We provide transportation services to producers and a full range of crude oil services to refiners in North America. TransCanada marketed 110.7 million barrels of crude oil in 1997, increases of 56 and 81 per cent compared to 1996 and 1995, respectively.

TransCanada enters into crude oil processing arrangements with refiners, buys refined products on a spot or term basis and sells to independent wholesalers, retailers and industrial customers in Canada and the United States. Our product line includes all grades of gasolines and distillates and we have the ability to provide innovative pricing alternatives. A total of 80.6 million barrels of refined products was marketed during 1997, compared to 63.5 million barrels and 29.5 million barrels in 1996 and 1995, respectively.

We also purchase and sell natural gas liquids and liquefied petroleum gases in Canada and the United States. Throughout 1997, we continued to provide producers with services not readily available from other marketers, including marketing, transportation, storage and gas processing. TransCanada's five gas gathering and processing facilities, located in Alberta and Saskatchewan, and our U.S. gas processing plants enhance our flexibility and netbacks to producers. We marketed 18 million barrels of natural gas liquids in 1997, an increase of 4.9 million barrels and 12.9 million barrels compared to 1996 and 1995, respectively.

The principal risk in the petroleum and products business is that margins generated on sales are insufficient to cover operating costs. This is described in the section on Risk Management on page 43, in Note 11 to the Consolidated Financial Statements and in the Supplementary Information.

Petroleum and Products Outlook The petroleum and products marketing business has one primary objective for 1998 – a return to profitability. Because of the disappointing results in 1997, we are re-evaluating the short-term plans and activities of this business, since it is essential to the achievement of our long-term strategic objectives.

Power TransCanada marketed a total of 1,654 gigawatt hours of electricity in 1997, a decrease compared to the 2,178 gigawatt hours marketed in 1996. Marketing efforts in 1997 were focused on preparing both TransCanada and its customers for the opportunities resulting from deregulation. In 1997, we concluded agreements to manage 100 per cent of the electricity surplus for the city of Medicine Hat, as well as electricity requirements for several oil and gas companies.

The power marketing group works in tandem with the power generation group so that all TransCanada facilities can compete in an open marketplace. The power marketing business works in cooperation with the Canadian Mainline, Express Pipeline and other TransCanada businesses to proactively respond to electricity deregulation and the convergence of electricity with other energy commodities such as natural gas.

Energy Marketing Outlook

The objective of the Energy Marketing businesses is to become one of the continent's leading marketers of natural gas, crude oil and petroleum products, and electricity. We will continue to search for niche marketers for acquisition to expand or complement our existing businesses. The financial results for the non-netback marketing businesses are dependent upon the volatility in prices and our ability to capture opportunities created by that volatility.

Canadian Gas Gathering and Processing

TransCanada owns five gathering and processing plants in Alberta and Saskatchewan, a natural gas liquids extraction plant at Cochrane, Alberta, and a 50% interest in the Empress II natural gas liquids extraction plant on the Alberta/Saskatchewan border.

U.S. Gas Gathering and Processing

TransCanada owns four Louisiana-based gas processing plants with capacity of 2.2 Bcf per day, two fractionators with capacity of 53,000 barrels per day, connecting pipelines and gas liquids storage facilities.

Specialty Chemicals

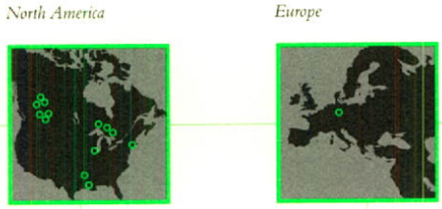
Cancarb is the world's leading manufacturer of thermal carbon black. ANGUS is one of the world's leading manufacturers of specialty chemical products derived from nitroparaffins.

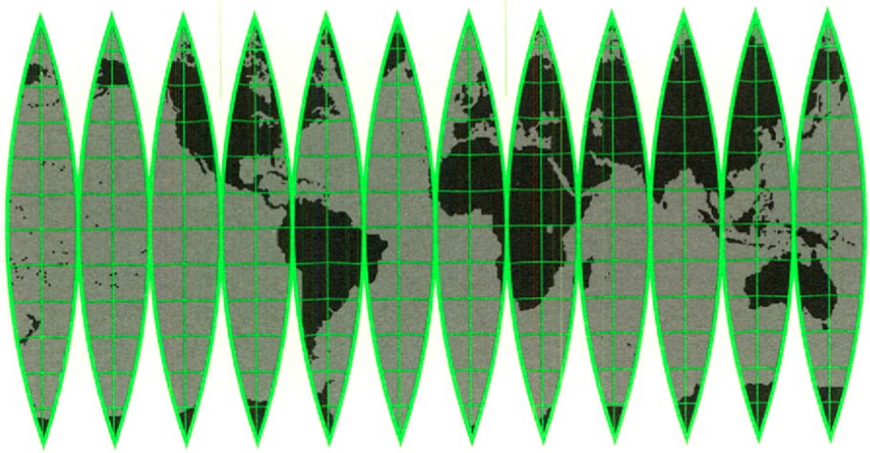
Power Generation

TransCanada currently owns a 40% interest in the Ocean State Power plant in Rhode Island. In 1997, TransCanada transferred 100% of its three Ontario-based power generation plants to a limited partnership, TransCanada Power, L.P., and retained a 50% interest.

Photo to the right:
Our Cochrane extraction plant. TransCanada extracts more than 100,000 barrels of liquids per day from gas leaving Alberta.

ENERGY
Processing





1997 net earnings from the Energy Processing segment were

$61.4 million

Energy Processing

The Energy Processing segment is the largest contributor to the 1997 growth in TransCanada's non-regulated businesses. Net earnings of $61.4 million were 48 per cent above 1996 due to higher contributions from the specialty chemicals, power generation and Canadian gas gathering and processing businesses. These positive results were partially offset by reduced margins in the U.S. gas gathering and processing business which were caused by a decline in gas liquids prices and a rise in natural gas prices during the latter part of the year.

Higher net earnings and revenues from this segment in 1996, compared to 1995, reflected the acquisition of the remaining shares of Alberta Natural Gas Company Ltd (ANG) in March 1996, higher margins in the extraction business and the acquisition of Canadian gas gathering and processing facilities.

Canadian Gas Gathering and Processing Through our ownership of the Cochrane extraction plant and our interest in the Empress II extraction plant, TransCanada extracts more than 100,000 barrels of natural gas liquids per day from gas leaving Alberta.

TransCanada also gathers and processes gas on behalf of producers. We gather raw gas from wells and transport it to field processing facilities where the gas is processed to remove impurities and natural gas liquids.

We own and operate five gas processing plants and associated gas gathering systems located in Alberta and southern Saskatchewan, acquired from various oil and gas producers since 1994. The total processing capacity of these plants is currently 264 MMcf per day, plus an additional 90 MMcf per day of gathering system capacity. TransCanada's expansion into the gathering and processing business is part of our strategy to become a third-party raw gas transporter and processor, enabling producers to focus their resources on exploration and development activities.

Canadian Gas Gathering and Processing Outlook In 1998, this business intends to acquire and construct new gas gathering and processing facilities, maximize throughputs and revenues from existing facilities and develop new products and services. Construction of a new extraction plant at Empress, which will be 50 per cent owned by TransCanada, will begin in 1998 and is expected to be complete in the second half of 1999. The need for this plant was triggered by the expansions of the Canadian Mainline.

In January 1998, the Alberta Energy and Utilities Board approved the construction and operation of a new $65 million sour gas gathering pipeline extending from west central Alberta to various field processing plants. This gathering line is expected to be operational during the second half of 1998.

U.S. Gas Gathering and Processing TransCanada entered the gas processing business in the United States with the 1997 acquisition of Enron Louisiana Energy Company. TransCanada is expanding the largest plant at Eunice and has connected the Louisiana Chalk gathering system pipeline to the plant. Debottlenecking and expansion of fractionation capacity is continuing and major tie-ins were completed by the end of the year. These plants are strategically positioned to capitalize on new deepwater and Chalk gas production. Negotiations with producers are ongoing.

U.S. Gas Gathering and Processing Outlook The objective of the U.S. gas gathering and processing business in 1998 is to become profitable. For that to occur, the spread between the cost of natural gas and the selling price of natural gas liquids must increase. In addition, we must continue to manage the spread through our risk management practices to maximize margins to the extent possible. These are described in the section on Risk Management on page 43 and in the Supplementary Information.

Specialty Chemicals Cancarb Limited (Cancarb), a manufacturer of thermal carbon black, and ANGUS Chemical Company (ANGUS), our specialty chemicals businesses, use hydrocarbons as feedstock in production operations.

Cancarb produces thermal carbon black for use in the manufacture of mechanical rubber goods, in wire and cable insulation and in the manufacture of carbide powders. Sales volumes for Cancarb have increased substantially since the plant was expanded in 1996 and the plant operates at 95 per cent of capacity. Cancarb recently formed a partnership with China United Rubber Corporation, a rubber manufacturer, to distribute accelerators and anti-degradents under the Cancarb name.

ANGUS owns and operates nitroparaffin and nitroparaffin derivatives production facilities in Louisiana, a nitroparaffin derivatives plant in Germany and a facility that manufactures biochemical materials in New York. ANGUS produces pharmaceutical feedstocks, agricultural chemicals, and additives used in coatings, metalworking fluids, personal care products, adhesives, rubber polymerization and water treatment. In 1997, ANGUS purchased two biocide product lines and started construction of a US$9.3 million hydrogen plant.

Specialty Chemicals Outlook Cancarb expects to increase sales volumes in 1998 and intends to continue its efforts to find new applications and new customers for its products. In 1998, demand for ANGUS products is expected to remain steady with the exception of the Asian market, where demand may be curtailed.

Power Generation In June 1997, TransCanada transferred 100 per cent of its Ontario-based power generation assets – a 38-megawatt plant at Nipigon, in commercial operation since May 1992, and 40-megawatt plants at Kapuskasing and North Bay completed in 1996 – to a limited partnership, TransCanada Power, L.P. (Power L.P.). Fifty per cent of the partnership units were sold to the public and TransCanada retained the remaining 50 per cent interest. TransCanada continues to operate the plants as well as control and manage the limited partnership. After 20 years, the Company will fund the redemption of the outstanding units at the then-fair market value, ensuring liquidity of the partnership units. This vehicle provides the power generation group with a competitive cost of capital, which is expected to be advantageous in achieving its growth strategies.

TransCanada and U.S. Generating Company (USGen) announced in October 1997 an agreement in principle whereby TransCanada will acquire USGen's interest in Ocean State Power (OSP). The acquisition includes USGen's 10.1 per cent interest in OSP and an additional 20 per cent of OSP currently owned by Narragansett Energy Resources Company which USGen expects to acquire in 1998. These transactions are subject to federal and state regulatory approvals. TransCanada currently owns 40 per cent and is the operator of OSP, a 500-megawatt combined cycle, gas-fired power generation facility located in Rhode Island.

Power Generation Outlook In December 1997, TransCanada announced plans to build an $80 million power generation plant at Calstock, Ontario. The 33-megawatt plant will be fired by wood waste and waste heat from an adjacent TransCanada compressor station. Construction of the Calstock power plant is expected to be complete in 2000.

In December 1997, Power L.P. entered into an agreement in principle to acquire the 42.6 megawatt Potter Station power generation facility in northern Ontario. The acquisition is expected to be financed through the issuance of additional units to the public. With the addition of the Potter Station facility, Power L.P. will own facilities that have a capacity of 161 megawatts of electricity.

TransCanada's power generation business is pursuing a number of potential acquisitions and new power plant opportunities. It is expected that deregulation of the power industry in both Canada and the United States will continue to provide opportunities for investment.

Photo above:
TransCanada's gas processing plants in Louisiana are strategically located to capitalize on new deepwater and Chalk gas production.

OCENSA, Colombia –
17.5% owned
The US$2.2 billion OCENSA pipeline transports crude oil from fields in the interior of Colombia to the Port of Coveñas on the Caribbean coast.

TransGas, Colombia –
34% owned
The US$320 million natural gas pipeline from Mariquita to Cali is part of Colombia's national gasification program.

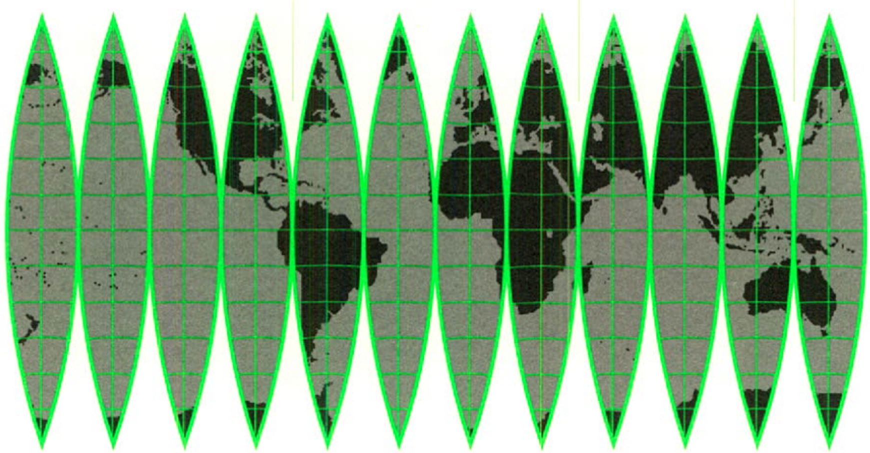
CentrOriente, Colombia –
40% owned
TransCanada and its partners operate and maintain the CentrOriente natural gas pipeline system, operate a natural gas dispatch centre and provide technical and consulting services to ECOGAS, Colombia's national natural gas company.

Paiton, Indonesia –
10% owned
TransCanada has an interest in two 615-megawatt power plants in Indonesia currently under construction.

Mayakan, Mexico –
62.5% owned
In 1997, TransCanada and its partners won a bid to build a US$266 million, 700-kilometre natural gas pipeline in Mexico's Yucatan peninsula.

Photo to the right:
TransCanada operates the natural gas dispatch centre at Bucaramanga, Colombia, responsible for the administration, gas management, volume planning and coordination of gas infrastructure throughout the country.

International



1997 net earnings from the International segment were
$6.3 million

International

In 1997, the International segment achieved its first full year of profitability since its inception in the early 1990s. This is a significant accomplishment considering that many of our international investments have taken a number of years to negotiate and to construct and all costs to develop new projects are expensed as incurred. TransCanada capitalizes only costs related to projects which are determined to be commercially viable.

Net earnings were $6.3 million in 1997, compared to losses of $5.2 million in 1996 and $13.1 million in 1995. Contributing to the increase is higher equity income from our Colombian investments – the Oleoducto Central S.A. (OCENSA) crude oil pipeline, the TransGas de Occidente S.A. (TransGas) natural gas pipeline and CentrOriente.

In much of the world, industrialization and population growth have boosted the demand for reliable sources of affordable energy. With our experience in energy transmission, marketing and processing, TransCanada believes it is positioned to meet the needs of our international customers. In-house, we can tap the services of product specialists in energy commodities and experts in pipeline design and operation. We also provide marketing, consulting and contract services to assist with the development of energy services businesses in industrializing countries.

During 1997, we also improved the foundation for the future. We won a bid to construct the first significant natural gas pipeline development in Mexico to be owned by the private sector, established marketing operations in Barbados and Singapore, and staffed and opened regional business development offices in Caracas, Venezuela; Mexico City, Mexico; and Singapore.

In 1997, we signed a memorandum of understanding giving TransCanada rights to build and operate a petroleum products pipeline in Thailand. The pipeline is estimated to cost US$350 million. TransCanada has also signed an agreement of intent to work jointly with JSC Ukrgazprom (Ukrgazprom), Ukraine's national energy company, to identify possible upgrading and reconstruction projects on Ukrgazprom's natural gas transmission facilities in Ukraine. Since Ukrgazprom's facilities currently transport 95 per cent of the Russian gas delivered to Europe, TransCanada's relationship with Ukrgazprom may provide an opportunity to become a significant player in the European energy market, help open the lines of communication and identify potential new projects in Ukraine. With 50 per cent of the world's gas reserves in its territory, Russia is expected to continue to be a significant supplier of Europe's natural gas.

Colombia

OCENSA

At the end of 1997, the 800-kilometre, US$2.2 billion OCENSA pipeline was transporting in excess of 400,000 barrels per day of crude oil from the Cusiana and central Llanos regions of Colombia. With the completion of pump station construction, expected in the second quarter of 1998, OCENSA will have a capacity of more than 600,000 barrels per day for export from the Port of Coveñas. No further capital expenditures are anticipated for OCENSA. TransCanada provides technical services and jointly operates the pipeline system.

Photo above:
The Mariquita to Cali TransGas pipeline is a significant component of Colombia's national gasification program.

Mexico

Mayakan

In March 1997, a three-company consortium led by TransCanada won a contract to build, own and operate a 700-kilometre natural gas pipeline in Mexico's Yucatan peninsula. The cost of the Energía Mayakan S. de R.L. de C.V. (Mayakan) pipeline is expected to be US$266 million. Originating at Ciudad Pemex in the state of Tabasco, the 370 MMcf per day pipeline is intended to provide natural gas service to power plants and other industrial customers in the cities of Campeche, Mérida and Valladolid. Mayakan is Mexico's first significant pipeline development to be owned and operated by the private sector. Debt financing for the project has been completed and a total of approximately US$56 million of equity is planned to be invested. Construction will continue throughout 1998 and the pipeline is expected to be in service in 1999. TransCanada's cash contributions to the project in 1998 are expected to be approximately $17 million.

Tanzania

Songo Songo

Throughout 1997, TransCanada and its partners worked to complete the well testing and servicing program and to further define the scope, costs and timing of the project. Although the well testing program has proven that there are sufficient gas reserves for the Songo Songo project, its timing remains uncertain and further analysis of the growth in power and natural gas demand is required.

International Outlook

International's objectives for 1998 are to layer complementary businesses, such as contract and consulting services and energy marketing businesses, on existing assets, and to expand through construction or acquisition of new energy services businesses. Privatization and infrastructure requirements in much of the world provide abundant opportunities for growth, but these require a thorough understanding of the country dynamics and potential for success. TransCanada continues to evaluate risks against economic rewards to mitigate the effects of product and economic cycles.

Photo above: Dar es Salaam, Tanzania

The Songo Songo gas-to-electricity project in Tanzania is designed to provide domestic fuel for power production and industrial use.

Safety, Health and Environment

TransCanada's Safety, Health and Environment program seeks to ensure a safe operating environment for the public and TransCanada employees and the protection of the environment for future generations. TransCanada incorporates environmental considerations into the planning, development, construction and operation of all projects. In 1997, TransCanada donated more than $155,000 to various conservation and environmental programs. In addition, as part of our participation in Canada's initiative to reduce greenhouse gases, TransCanada contributed $540,000 to the Tree Canada Foundation, a non-profit organization that plants trees to help reduce the effect of carbon dioxide emissions.

Donations

In 1997, TransCanada donated approximately $2.9 million to support organizations involved in education, culture, health care, sports and civic activities.

Employees

Our success depends on our ability to keep TransCanada competitive – and profitable – and to increase shareholder value.

Once the strategic planning process is completed each year, our employees align their work objectives and skill development with TransCanada's strategic objectives. To ensure they meet the challenges of an evolving industry, TransCanada helps employees improve performance by providing internal and external training programs, self-study aids, occupational on-the-job training, and sponsoring membership in professional associations to ensure they remain current with industry best practices. As well, we provide financial assistance to employees who wish to further their education in areas that will benefit both them and TransCanada.

Photo to the right:
TransCanada's corporate commitment to the environment enhances our operational efficiency, cost effectiveness and customer relations and preserves shareholder value.

Corporate

Liquidity and Capital Resources

Cash Generated From Operations

Year ended December 31 (millions of dollars)	1997	1996	1995
As reported (proportionate consolidation method)	**624.8**	768.6	703.0
Equity method	**476.8**	644.3	618.3

Cash generated from operations is presented using both the proportionate consolidation method of accounting for our investments in joint venture operations and using the equity method of accounting. Management believes that the equity method amounts are more meaningful because they represent the cash flow from operations over which TransCanada has direct control.

Cash generated from operations was $624.8 million in 1997 compared to $768.6 million in 1996. This decrease is attributable to a greater investment in operating working capital, particularly in the energy marketing businesses.

The nine per cent increase in cash generated from operations in 1996 over 1995 resulted from stronger contributions from all segments, partially offset by increased operating working capital.

Investing Activities

Capital expenditures totalled $1,693.9 million in 1997, an increase of $399.7 million compared to 1996. The major element of fiscal 1997's capital spending program was the continued expansion of TransCanada's energy transmission business. Of the $1.4 billion attributed to the Energy Transmission segment, the Canadian Mainline accounted for just over $1 billion of 1997 capital expenditures.

Capital expenditures in 1996 were $620.5 million more than in 1995. The 1996 increase related to the construction of Express Pipeline and the North Bay and Kapuskasing power plants in Ontario, as well as increased capital spending for the Canadian Mainline and International activities.

TransCanada's 1997 investing activities also included the acquisition of the U.S. gas gathering and processing business. Acquisition of the remaining shares of ANG and the purchase of Cibola during 1996 resulted in a net use of cash of $358.1 million.

Capital Expenditures by Segment

Year ended December 31 (millions of dollars)	**1997**	1996	1995
Energy Transmission	**1,413.4**	1,034.3	534.9
Energy Marketing	**22.3**	2.1	7.5
Energy Processing	**169.9**	158.8	57.2
International	**81.8**	97.9	53.0
Corporate	**6.5**	1.1	21.1
	1,693.9	1,294.2	673.7

Financing Activities

TransCanada has increased the quarterly dividend on common shares by two cents per share in the fourth quarter of each of the last six years. The increase announced by TransCanada's board of directors in December 1997 raised the quarterly dividend to 31 cents per share. The 1996 and 1995 fourth-quarter increases brought quarterly dividends per common share to 29 and 27 cents, respectively.

In 1997, TransCanada generated cash of $1,222.8 million from the issuance of medium-term notes and common equity. An additional $219 million was provided by the issuance of partnership units in Power L.P. in June 1997. Cash from these financing activities, combined with cash generated from operations, was used to finance capital expenditures and investments, retire debt and pay dividends on preferred and common shares.

In addition to the issuance of medium-term notes and common equity, 1996 financing activities included the issuance of junior subordinated debentures and preferred securities which generated cash of $474.8 million.

TransCanada's proportionate share of non-recourse debt of joint ventures decreased $16.2 million in 1997, reflecting repayments of non-recourse debt of joint ventures, offset partially by non-recourse debt issued during the year. Non-recourse joint venture debt decreased $51.2 million and increased $31.5 million in 1996 and 1995, respectively.

Credit Activities

Unused lines of credit of $2 billion were available to support TransCanada's commercial paper program and were available to secure energy commodity purchases and for general corporate purposes at December 31, 1997. This amount includes the $1.5 billion revolving credit facilities, syndicated among a number of Canadian and international banks, which TransCanada established in January 1997.

At December 31, 1997, $1,070.1 million and US$707 million of medium-term notes could be issued under our medium-term note programs in Canada and the United States, respectively.

Risk Management The Company identifies and monitors market risk exposure associated with business transactions in order to manage market risk within levels acceptable to senior management and in accordance with corporate market risk policies and position limits. The policies and limits are designed to mitigate the risk of significant loss. The effects of market risk are evaluated in terms of their impact on net income and on the values of assets and liabilities. TransCanada manages its market risk exposure on a consolidated basis and analyzes the impact of exposures on earnings objectives. The Company's primary market risks result from volatility in interest and foreign currency exchange rates and commodity prices. The Company also has credit policies used to evaluate the financial condition of potential counterparties and to manage credit risk exposure. Credit risk is the risk that the Company will incur a loss due to the failure of a counterparty to meet its contractual financial obligation.

Financial Risk Management

TransCanada monitors the financial market risk exposures relating to its investments in U.S. dollar net assets, its regulated and non-regulated long-term debt portfolios and its foreign currency exposure on transactions. The market risk exposures created by these business activities are managed by identifying offsetting positions or through the use of derivative financial instruments.

Energy Marketing Risk Management

The market risks of the Company's energy marketing portfolio of natural gas, natural gas liquids, crude oil, refined products and electricity are managed by entering into offsetting physical positions, when possible, to manage market risk exposures created by fixed and variable pricing arrangements, different pricing indices and different delivery points. Market risk is also managed through the use of derivative financial instruments. Exposures are quantified using value-at-risk methodology and are reviewed weekly by senior management.

Energy Processing Risk Management

The significant market risks of contracts entered into by TransCanada's energy processing businesses are identified and managed. Risks associated with interest rates, foreign currency exchange rates and energy commodity prices are reviewed and managed with the objective of protecting short-term and long-term earnings. Senior management reviews these exposures regularly, and at least monthly.

Year 2000 TransCanada is currently reviewing its systems for Year 2000 compliance. To date, the estimated costs to alter non-compliant systems are not significant. However, there can be no assurance that the systems of other companies, on which TransCanada relies, will be Year 2000 compliant or that a failure by another company to be Year 2000 compliant would not have an adverse impact on our systems or operations.

Merger with NOVA On January 24, 1998, TransCanada and NOVA Corporation (NOVA) signed an agreement to combine the two companies under a plan of arrangement. Under the terms of the agreement, each NOVA common share will be exchanged for 0.52 TransCanada common shares. After the merger, the existing chemicals business of NOVA will be split off into a separate, publicly traded company owned by the combined TransCanada and NOVA shareholder groups. The merger is expected to be completed in 1998 and is subject to shareholder and regulatory approvals.

The merger of TransCanada and NOVA will create an independent, world-class chemicals business and a world-class Canadian energy services company. The greater breadth and financial strength of the new energy services organization should create a stronger platform to grow the energy services businesses. It also will facilitate operating cost reductions, capital efficiencies and improved customer services, and help to preserve Canadian ownership and control.

Report of Management

The consolidated financial statements included in the Annual Report are the responsibility of Management and have been approved by the Board of Directors of the Company. These consolidated financial statements have been prepared by Management in accordance with generally accepted accounting principles (GAAP) in Canada and include amounts that are based on estimates and judgements. Financial information contained elsewhere in this Annual Report is consistent with the consolidated financial statements.

Management has prepared Management's Discussion and Analysis (MD&A). The MD&A is based on the Company's financial results prepared in accordance with Canadian GAAP. It compares the Company's financial performance in 1997 to 1996 and should be read in conjunction with the consolidated financial statements and accompanying notes. In addition, significant changes between 1996 and 1995 are highlighted. Note 17 to the consolidated financial statements describes significant differences between Canadian and United States GAAP.

Management has developed and maintains a system of internal accounting controls, including a program of internal audits. Management believes that these controls provide reasonable assurance that financial records are reliable and form a proper basis for preparation of financial statements. The internal accounting control process includes Management's communication to employees of policies which govern ethical business conduct.

The Board of Directors has appointed an Audit Committee consisting of unrelated, non-management directors which meets periodically during the year with Management and the internal and external auditors independently and as a group. The Audit Committee reviews the consolidated financial statements with Management and the external auditors before the consolidated financial statements are submitted to the Board of Directors for final approval. The internal and external auditors have free access to the Audit Committee without obtaining prior Management approval.

The independent external auditors, KPMG, have been appointed by the shareholders to express an opinion as to whether the consolidated financial statements present fairly, in all material respects, the Company's financial position, results of operations and changes in financial position in accordance with generally accepted accounting principles. The report of KPMG on page 48 outlines the scope of their examination and their opinion on the consolidated financial statements.

George W. Watson
President and
Chief Executive Officer

KABrooks

Karyn A. Brooks
Vice-President
and Controller

January 24, 1998

Consolidated Income

Year ended December 31 (millions of dollars except per share amounts)	1997	1996	1995
Revenues	**14,242.8**	10,790.6	7,005.6
Cost of Sales	**11,157.0**	8,063.5	4,775.3
Other Costs and Expenses	**1,433.6**	1,059.1	798.3
Depreciation	**424.8**	380.8	320.3
	13,015.4	9,503.4	5,893.9
Operating Income	**1,227.4**	1,287.2	1,111.7
Other Expense/(Income)			
Financial charges (Note 6)	**567.6**	553.1	508.8
Financial charges of joint ventures (Note 7)	**97.5**	91.2	89.3
Allowance for funds used during construction	**(27.4)**	(18.6)	(12.1)
Interest and other income	**(28.6)**	(18.0)	(14.7)
	609.1	607.7	571.3
Income before Income Taxes	**618.3**	679.5	540.4
Income Taxes (Note 12)	**161.3**	254.5	142.9
Net Income	**457.0**	425.0	397.5
Preferred Securities Charges (Note 8)	**13.1**	1.9	—
Preferred Share Dividends	**36.3**	37.9	47.4
Net Income Applicable to Common Shares	**407.6**	385.2	350.1
Net Income Per Share (Note 10)	**$1.85**	$1.85	$1.75

The accompanying notes to the consolidated financial statements are an integral part of these statements.

Consolidated Changes in Financial Position

Year ended December 31 (millions of dollars)	1997	1996	1995
Cash Generated From Operations			
Net income	**457.0**	425.0	397.5
Depreciation	**424.8**	380.8	320.3
Deferred income taxes	**15.4**	24.1	(22.9)
Allowance for equity funds used during construction	**(9.6)**	(8.9)	(5.4)
Other	**(11.4)**	10.0	(4.8)
Funds generated from operations	**876.2**	831.0	684.7
(Increase)/decrease in operating working capital (Note 15)	**(251.4)**	(62.4)	18.3
	624.8	768.6	703.0
Investing Activities			
Capital expenditures	**(1,693.9)**	(1,294.2)	(673.7)
Acquisitions, net of cash acquired	**(226.9)**	(358.1)	—
Deferred amounts and other	**(34.6)**	69.3	18.8
	(1,955.4)	(1,583.0)	(654.9)
Financing Activities			
Dividends and preferred securities charges	**(310.3)**	(267.2)	(248.4)
Notes payable issued/(repaid), net	**441.5**	59.2	(114.5)
Long-term debt issued	**1,106.8**	887.5	441.1
Reduction of long-term debt	**(274.2)**	(358.0)	(187.9)
Non-recourse debt of joint ventures issued	**109.0**	5.1	151.4
Reduction of non-recourse debt of joint ventures	**(125.2)**	(56.3)	(119.9)
Partnership units issued by a subsidiary	**219.0**	—	—
Settlement of convertible debentures	**—**	(150.0)	—
Junior subordinated debentures issued	**—**	217.5	—
Preferred securities issued	**—**	257.3	—
Preferred shares issued	**—**	—	98.5
Preferred shares redeemed	**—**	(150.0)	(50.0)
Common shares issued	**116.0**	313.5	87.3
	1,282.6	758.6	57.6
(Decrease)/Increase in Cash and Short-Term Investments	**(48.0)**	(55.8)	105.7
Cash and Short-Term Investments			
– at beginning of year	**163.2**	219.0	113.3
Cash and Short-Term Investments			
– at end of year	**115.2**	163.2	219.0

The accompanying notes to the consolidated financial statements are an integral part of these statements.

Consolidated Financial Position

December 31 (millions of dollars)	1997	1996
Assets		
Current Assets		
Cash and short-term investments	**115.2**	163.2
Accounts receivable	**1,513.4**	1,302.3
Inventories	**352.5**	222.0
Other	**34.2**	12.6
	2,015.3	1,700.1
Long-Term Investments (Note 5)	**274.8**	171.2
Plant, Property and Equipment (Notes 3, 6 and 7)	**12,072.9**	10,690.1
Other Assets	**208.6**	88.1
	14,571.6	12,649.5
Liabilities and Shareholders' Equity		
Current Liabilities		
Notes payable (Note 13)	**668.0**	226.5
Accounts payable	**1,447.7**	1,363.9
Accrued interest	**178.7**	167.7
Long-term debt due within one year (Note 6)	**282.3**	273.1
Non-recourse debt of joint ventures due within one year (Note 7)	**51.0**	51.1
	2,627.7	2,082.3
Deferred Amounts	**113.1**	34.1
Long-Term Debt (Note 6)	**6,020.6**	5,148.2
Non-Recourse Debt of Joint Ventures (Note 7)	**982.8**	964.6
Deferred Income Taxes	**232.5**	203.5
Junior Subordinated Debentures (Note 8)	**223.9**	223.2
Non-Controlling Interests	**96.1**	—
Shareholders' Equity		
Preferred securities (Note 8)	**280.0**	261.1
Preferred shares (Note 9)	**512.6**	512.6
Common shares (Note 10)	**1,660.5**	1,544.5
Contributed surplus	**263.1**	263.1
Retained earnings	**1,530.4**	1,383.1
Foreign exchange adjustment	**28.3**	29.2
	4,274.9	3,993.6
Contingencies (Note 16)		
	14,571.6	12,649.5

The accompanying notes to the consolidated financial statements are an integral part of these statements.

On behalf of the Board:

George W. Watson
Director

Harry G. Schaefer
Director

Consolidated Contributed Surplus and Retained Earnings

Year ended December 31 (millions of dollars except per share amounts)	**1997**	1996	1995
Contributed Surplus			
Balance at beginning of year	**263.1**	264.6	266.8
Preferred share issue expenses	**—**	(1.5)	(2.2)
Balance at end of year	**263.1**	263.1	264.6
Retained Earnings			
Balance at beginning of year	**1,383.1**	1,234.4	1,089.7
Net income	**457.0**	425.0	397.5
Preferred securities charges and issue expenses	**(13.1)**	(6.9)	—
Preferred share dividends	**(36.3)**	(37.9)	(47.4)
Equity preferred and common share dividends (Note 10)	**(260.3)**	(231.5)	(205.4)
Balance at end of year	**1,530.4**	1,383.1	1,234.4
Dividends declared per common share	**$1.18**	$1.10	$1.02

The accompanying notes to the consolidated financial statements are an integral part of these statements.

Auditors' Report

KPMG

To the Shareholders of TransCanada PipeLines Limited

We have audited the consolidated statements of financial position of TransCanada PipeLines Limited as at December 31, 1997 and 1996 and the consolidated statements of income, contributed surplus and retained earnings and changes in financial position for each of the years in the three-year period ended December 31, 1997. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 1997 and 1996 and the results of its operations and the changes in its financial position for each of the years in the three-year period ended December 31, 1997 in accordance with Canadian generally accepted accounting principles.

KPMG

Chartered Accountants
Calgary, Canada
January 24, 1998

Notes to Consolidated Financial Statements

TransCanada PipeLines Limited (the Company or TransCanada) is one of North America's leading energy services companies. It operates in four business segments.

Energy Transmission

This segment owns and operates the Canadian natural gas transmission system (the Canadian Mainline) and holds the Company's investments in interconnected natural gas pipelines and the Express oil pipeline (Express Pipeline). Energy Transmission activities also include the investigation and development of new energy transmission facilities in Canada and the United States. The majority of net income is contributed by this segment, of which the Canadian Mainline generated $257.8 million in 1997.

Energy Marketing

The Energy Marketing segment markets energy commodities, including natural gas, natural gas liquids, crude oil, refined products, and electricity, and manages the Company's natural gas storage operations.

Energy Processing

This segment operates assets which process hydrocarbons into other forms of energy and products. The processing assets include: independent power generation plants; gas gathering, processing and extraction plants; and specialty chemicals and carbon black manufacturing facilities. This segment also investigates and develops energy processing projects in Canada and the United States.

International

The International segment invests in international energy transmission and power generation operations and investigates and develops energy-related business opportunities outside of Canada and the United States.

NOTE 1 Accounting Policies

The consolidated financial statements of the Company have been prepared by Management in accordance with Canadian generally accepted accounting principles (Canadian GAAP). These accounting principles are different in some respects from United States generally accepted accounting principles (U.S. GAAP) and the significant differences are described in Note 17. Amounts are stated in Canadian dollars unless otherwise indicated.

Since a determination of many assets, liabilities, revenues and expenses is dependent upon future events, the preparation of these consolidated financial statements requires the use of estimates and assumptions which have been made using careful judgement. In the opinion of Management, these consolidated financial statements have been properly prepared within reasonable limits of materiality and within the framework of the significant accounting policies summarized below.

Basis of Presentation

The consolidated financial statements include the accounts of TransCanada PipeLines Limited, its subsidiaries and its proportionate share of the accounts of its joint ventures. The Company uses the equity method of accounting for investments over which it is able to exercise significant influence. Other investments are carried at cost.

Regulation

The Company's Canadian natural gas transmission operations are subject to the authority of the National Energy Board (NEB) with respect to the determination of tolls, construction, operations and accounting. The United States interconnected natural gas pipelines and the Ocean State Power Plant are also subject to the authority of regulatory bodies. In order to achieve a proper matching of revenues and expenses, the timing of recognition of certain revenues and expenses in these businesses may differ from that otherwise expected under generally accepted accounting principles.

Cash and Short-Term Investments

The Company's short-term investments are considered to be cash equivalents and are recorded at cost, which approximates market value.

Inventories

Inventories are carried at the lower of average cost or net realizable value, other than certain specialty chemicals inventories for which cost is determined using the last-in, first-out method.

Plant, Property and Equipment

Energy Transmission

Plant, property and equipment of the natural gas transmission operations are carried at cost. Depreciation is calculated on the straight-line basis using rates approved by the regulators. Pipeline and compression equipment are depreciated at annual rates ranging from two to five per cent and metering and other plant are depreciated at various rates. Removal and site restoration costs are not determinable and will be recorded when reasonably estimable and when approved by the regulators. An allowance for funds used during construction, using the rate of return on rate base approved by the regulators, is capitalized and included in the cost of gas transmission plant.

Express Pipeline plant, property and equipment are recorded at cost and includes interest capitalized during construction. Depreciation is calculated on the straight-line basis at an average annual rate of approximately three per cent.

Energy Marketing and Processing

Plant, property and equipment are recorded at cost and depreciated on the straight-line basis over estimated service lives at average annual rates ranging from three to five per cent. Interest is capitalized on new plant under construction and included in the cost.

Foreign Currency Translation

The Company's foreign operations are self-sustaining and are translated into Canadian dollars using the current rate method. Translation adjustments are reflected in the foreign exchange adjustment in Shareholders' Equity.

Exchange gains and losses on the principal amounts of foreign currency debt related to the Canadian Mainline are included in income when they are recovered in tolls.

Income Taxes

For tollmaking purposes, the NEB has prescribed the taxes payable method for income taxes related to the Canadian natural gas transmission operations. This method is also used for accounting purposes, since there is reasonable expectation that future taxes payable will be included in future costs of service and recovered in revenues at that time. The deferral method of accounting for income taxes is used for other operations.

Canadian taxes are not provided on the unremitted earnings of foreign investments which are considered to be indefinitely reinvested in foreign operations.

Derivative Financial Instruments

The Company utilizes derivative financial instruments and derivative commodity instruments (collectively, derivatives) to manage its exposure to foreign currency exchange rates, interest rates and energy prices. Gains and losses relating to derivatives that are hedges are deferred and recognized in the same period and in the same financial statement category as the corresponding hedged positions.

A derivative must be designated and effective to be accounted for as a hedge. For cash flow hedges, effectiveness is achieved if the cash flows of the derivative substantially offset the cash flows of the hedged position and the timing of the cash flows is similar. Effectiveness for fair value hedges is achieved if the fair value of the derivative substantially offsets changes in fair value attributable to the hedged item. In the event that a derivative does not meet the designation or effectiveness criteria, the gain or loss on the derivative is recognized immediately in income. If a derivative is settled early, the gain or loss at settlement is deferred and recognized when the gain or loss on the hedged transaction is recognized.

Premiums paid or received with respect to derivatives are deferred and amortized to income over the term of the hedge. The recognition of gains and losses on derivative financial instruments used as hedges in the Canadian Mainline is determined through the regulatory process.

Project Development Costs

Investment and project costs incurred during the development stage are expensed until the project is considered to be commercially viable, after which costs are capitalized.

Post-Employment Benefits Other Than Pensions

The Company provides its retired employees with life insurance and medical benefits beyond those provided by government sponsored plans. The cost of these benefits is expensed when paid.

Comparative Figures

Certain comparative figures have been reclassified to conform with the current financial statement presentation.

Note 2 Segmented and Other Information

Year ended December 31 (millions of dollars)	1997	1996	1995
Operations			
Energy Transmission			
Revenues	**2,454.5**	2,217.9	2,017.1
Costs and expenses	**(1,046.2)**	(761.3)	(681.3)
Depreciation	**(354.9)**	(324.8)	(297.3)
Operating income	**1,053.4**	1,131.8	1,038.5
Financial charges and other	**(551.1)**	(571.6)	(540.8)
Income taxes	**(132.1)**	(198.7)	(144.0)
Preferred share dividends	**(36.3)**	(37.9)	(47.4)
Net income applicable to common shares	**333.9**	323.6	306.3
Energy Marketing			
Revenues	**11,084.0**	8,070.1	4,786.8
Cost of sales	**(10,947.0)**	(7,899.4)	(4,698.2)
Other costs and expenses	**(102.9)**	(110.1)	(59.2)
Operating income	**34.1**	60.6	29.4
Financial charges and other	**(9.6)**	(6.3)	(6.3)
Income taxes	**(16.9)**	(26.4)	(12.8)
Net income applicable to common shares	**7.6**	27.9	10.3
Energy Processing			
Revenues	**678.4**	493.6	197.0
Cost of sales	**(210.0)**	(164.1)	(77.1)
Other costs and expenses	**(257.6)**	(168.5)	(37.4)
Depreciation	**(63.3)**	(52.2)	(19.8)
Operating income	**147.5**	108.8	62.7
Financial charges and other	**(41.8)**	(33.5)	(24.4)
Income taxes	**(44.3)**	(33.7)	(6.2)
Net income applicable to common shares	**61.4**	41.6	32.1
International			
Revenues	**25.9**	9.0	4.7
Costs and expenses	**(33.5)**	(23.0)	(23.6)
Operating loss	**(7.6)**	(14.0)	(18.9)
Other income and expenses	**2.0**	0.9	—
Income taxes	**11.9**	7.9	5.8
Net income/(loss) applicable to common shares	**6.3**	(5.2)	(13.1)
Unallocated Amounts			
Financial charges and other	**(1.6)**	(2.7)	14.5
Net Income Applicable to Common Shares	**407.6**	385.2	350.1

Year ended December 31 (millions of dollars)	1997	1996	1995
Operations, continued			
Revenues by Geographic Area			
Canada – domestic	**4,105.2**	3,588.6	2,916.2
Canada – export	**2,314.8**	2,125.9	1,986.1
United States and International	**7,822.8**	5,076.1	2,103.3
	14,242.8	10,790.6	7,005.6
Operating Income by Geographic Area			
Canada	**998.1**	1,034.7	922.6
United States and International	**229.3**	252.5	189.1
	1,227.4	1,287.2	1,111.7

Year ended December 31 (millions of dollars)	1997	1996	1995
Capital Expenditures			
Energy Transmission	**1,423.0**	1,043.2	540.3
Allowance for equity funds used during construction	**(9.6)**	(8.9)	(5.4)
	1,413.4	1,034.3	534.9
Energy Marketing	**22.3**	2.1	7.5
Energy Processing	**169.9**	158.8	57.2
International	**81.8**	97.9	53.0
Corporate	**6.5**	1.1	21.1
	1,693.9	1,294.2	673.7

December 31 (millions of dollars)	1997	1996
Assets		
Energy Transmission		
Canada	**9,075.0**	8,081.8
United States	**2,005.9**	1,802.4
	11,080.9	9,884.2
Energy Marketing (primarily current assets)		
Canada	**661.4**	610.5
United States	**688.7**	500.1
	1,350.1	1,110.6
Energy Processing		
Canada	**705.7**	775.8
United States	**877.6**	504.1
	1,583.3	1,279.9
International	**346.8**	181.1
Corporate	**210.5**	193.7
	14,571.6	12,649.5

Note 3 Plant, Property and Equipment

December 31 (millions of dollars)	1997 Cost	1997 Accumulated Depreciation	1997 Net Book Value	1996 Net Book Value
Energy Transmission				
Canadian Mainline				
Pipeline	7,608.8	1,949.3	5,659.5	5,368.1
Compression	2,499.6	519.4	1,980.2	1,546.0
Metering and other	382.0	91.8	290.2	259.3
	10,490.4	2,560.5	7,929.9	7,173.4
Under construction	182.8	—	182.8	114.5
	10,673.2	2,560.5	8,112.7	7,287.9
Interconnected Pipelines				
Pipeline	2,134.3	744.6	1,389.7	1,394.4
Compression	566.0	131.6	434.4	420.4
Metering and other	216.0	74.2	141.8	136.8
	2,916.3	950.4	1,965.9	1,951.6
Under construction	129.4	—	129.4	16.9
	3,045.7	950.4	2,095.3	1,968.5
Express Pipeline	474.7	11.3	463.4	342.5
	14,193.6	3,522.2	10,671.4	9,598.9
Energy Marketing	72.9	16.3	56.6	33.0
Energy Processing				
Power Generation	424.7	82.2	342.5	351.3
Chemicals	365.0	61.7	303.3	296.6
Gas Gathering and Processing	727.6	91.3	636.3	374.9
	1,517.3	235.2	1,282.1	1,022.8
Corporate	83.6	20.8	62.8	35.4
	15,867.4	3,794.5	12,072.9	10,690.1

Note 4 Joint Venture Investments

(millions of dollars)	Ownership Interest	TransCanada's Proportionate Share – Income/(Loss) Before Income Tax – Year ended December 31 1997	1996	1995	Net Assets – December 31 1997	1996
Energy Transmission						
Interconnected Pipelines						
Great Lakes System	50.0%	**77.2**	84.2	64.5	**413.7**	375.3
Northern Border Pipeline	30.0%	**29.7**	32.6	30.7	**249.1**	216.9
Iroquois System	29.0%	**22.0**	13.5	9.9	**79.7**	75.8
Tuscarora Pipeline	50.0%	**3.6**	3.8	0.8	**22.5**	22.8
Foothills Pipe Lines (Sask.)	44.0%	**5.1**	5.5	5.9	**30.7**	34.1
Trans Québec & Maritimes Pipeline	50.0%	**7.0**	10.9	10.3	**48.4**	46.3
Foothills Pipe Lines (South B.C.)	49.0%	**3.6**	3.2	—	**20.7**	21.4
Express Pipeline	50.0%	**(18.7)**	—	—	**331.3**	312.7
Energy Marketing and Processing						
Ocean State Power Plant	40.0%	**17.3**	17.6	19.7	**99.5**	96.9
Other	25.0-60.0%	**11.3**	(0.5)	13.5	**65.6**	54.4
International						
Energia Mayakan	62.5%	**—**	—	—	**18.4**	—
		158.1	170.8	155.3	**1,379.6**	1,256.6

Consolidated retained earnings at December 31, 1997 include undistributed earnings from joint ventures of $308.0 million (1996 – $302.4 million).

Summarized Financial Information of Joint Ventures

Year ended December 31 (millions of dollars)	1997	1996	1995
Revenues	**844.3**	552.2	520.5
Costs and expenses	**(481.3)**	(189.0)	(191.4)
Depreciation	**(108.3)**	(111.2)	(91.4)
Joint venture financial charges and other	**(96.6)**	(81.2)	(82.4)
Proportionate share of income before corporate financing and income tax of joint ventures	**158.1**	170.8	155.3

Year ended December 31 (millions of dollars)	1997	1996	1995
Cash Flows			
Operations	**305.0**	288.0	233.7
Investing activities	**(413.7)**	(357.4)	(119.5)
Financing activities	**94.0**	55.9	(104.5)
Proportionate share of changes in cash and short-term investments of joint ventures	**(14.7)**	(13.5)	9.7

December 31 (millions of dollars)	1997	1996
Cash and short-term investments	**37.4**	52.1
Other current assets	**108.7**	126.6
Plant, property and equipment	**2,609.2**	2,365.1
Other assets	**34.3**	12.0
Current liabilities	**(338.0)**	(231.7)
Long-term non-recourse debt	**(982.8)**	(964.6)
Deferred income taxes	**(89.2)**	(102.9)
Proportionate share of net assets of joint ventures	**1,379.6**	1,256.6

Note 5 Long-Term Investments

December 31 (millions of dollars)	Ownership Interest	1997	1996
Equity Investments			
TransGas de Occidente	34.0%	**37.0**	31.2
Oleoducto Central	17.5%	**164.8**	103.5
CentrOriente	40.0%	**3.5**	2.1
		205.3	136.8
Cost Investment			
PT Paiton Energy Company	10.0%	**69.5**	34.4
		274.8	171.2

Consolidated retained earnings at December 31, 1997 include undistributed earnings from equity investments of $38.2 million (1996 – $13.7 million).

The Company's investment in PT Paiton Energy Company (Paiton) has been pledged as security for the non-recourse debt of Paiton.

Note 6 Long-Term Debt

	Maturity Dates	1997 Outstanding December 31 (1)	1997 Weighted Average Interest Rate (2)	1996 Outstanding December 31 (1)	1996 Weighted Average Interest Rate (2)
Canadian Mainline					
First Mortgage Pipe Line Bonds					
U.S. dollars					
(1997 – nil; 1996 – US$44.5)		—	—	60.9	16.8%
Pounds Sterling					
(1997 and 1996 – £25.0)	2007	**58.7**	**16.5%**	58.7	16.5%
Debentures					
Canadian dollars	1998 to 2020	**1,655.0**	**10.9%**	1,655.0	10.9%
U.S. dollars					
(1997 and 1996 – US$800.0)	2012 to 2023	**1,143.3**	**9.2%**	1,095.7	9.2%
Medium-Term Notes					
Canadian dollars	1998 to 2031	**2,111.3**	**8.0%**	1,609.0	8.6%
		4,968.3		4,479.3	
Foreign exchange differential recoverable through the tollmaking process		**(195.6)**		(147.9)	
		4,772.7		4,331.4	
Other					
Medium-Term Notes					
Canadian dollars	1998 to 2005	**352.0**	**8.7%**	352.0	8.7%
U.S. dollars					
(1997 – US$513.0; 1996 – US$220.0)	2001 to 2025	**733.1**	**7.1%**	301.3	7.2%
Subordinated Debentures					
U.S. dollars					
(1997 and 1996 – US$200.0)	2006	**285.8**	**9.1%**	273.9	9.1%
Notes, Debentures and Bonds of Subsidiaries					
Canadian dollars	2003	**110.0**	**8.4%**	110.0	8.4%
U.S. dollars					
(1997 – US$34.4; 1996 – US$38.4)	1998 to 2008	**49.3**	**6.6%**	52.7	6.6%
		1,530.2		1,089.9	
		6,302.9		5,421.3	
Less: Long-Term Debt Due Within One Year		**282.3**		273.1	
		6,020.6		5,148.2	

(1) Amounts outstanding are stated in millions of Canadian dollars; amounts denominated in currencies other than Canadian dollars are stated in millions.

(2) Weighted average interest rates are stated as at the respective outstanding dates. The effective weighted average interest rate on the U.S. dollar denominated subordinated debentures, resulting from swap agreements, is 8.3 per cent at December 31, 1997 (1996 – 8.2 per cent).

First Mortgage Pipe Line Bonds

The Deed of Trust and Mortgage securing the Company's First Mortgage Pipe Line Bonds limits the specific and floating charges to those assets comprising the present and future Canadian Mainline and the Company's present and future gas transportation contracts. No further bonds will be issued under the Deed of Trust and Mortgage.

Notes, Debentures and Bonds of Subsidiaries

The notes and debentures are unsecured. Bonds amounting to US$18.6 million are secured by a subsidiary's assets.

Medium-Term Notes

The Company has established medium-term note programs in Canada and the United States. At December 31, 1997, the Company can issue additional medium-term notes of up to $1,070.1 million in Canada and US$707.0 million in the United States under these existing programs.

Mandatory Retirements

Mandatory retirements of long-term debt of the Company approximate: 1998 – $282.3 million; 1999 – $205.4 million; 2000 – $286.2 million; 2001 – $306.6 million; and 2002 – $284.1 million.

Financial Charges

Year ended December 31 (millions of dollars)	**1997**	1996	1995
Interest on long-term debt	**551.4**	532.6	492.6
Regulatory deferrals and amortizations	**2.6**	28.2	6.7
Non-regulatory foreign exchange	**(2.4)**	(5.0)	0.5
Short-term interest and other financial charges	**23.2**	9.7	11.9
Interest capitalized	**(7.2)**	(12.4)	(2.9)
	567.6	553.1	508.8

The Company made interest payments of $561.3 million, $538.9 million and $512.3 million for the years ended December 31, 1997, 1996 and 1995, respectively.

Note 7 Non-Recourse Debt of Joint Ventures

	Maturity Dates	1997 Outstanding December 31 (1)	1997 Weighted Average Interest Rate (2)	1996 Outstanding December 31 (1)	1996 Weighted Average Interest Rate (2)
Great Lakes System					
Senior Unsecured Notes					
(1997 – US$201.9; 1996 – US$235.4)	2000 to 2021	**288.6**	**9.2%**	322.4	9.2%
Northern Border Pipeline					
Senior Secured Notes					
(1997 and 1996 – US$75.0)	2000 to 2003	**107.2**	**8.4%**	102.7	8.4%
Bank Loan					
(1997 – US$62.7; 1996 – US$38.3)	2000 to 2002	**89.6**	**6.3%**	52.5	6.1%
Iroquois System					
Bank Loan					
(1997 – US$114.3; 1996 – US$122.9)	2006 to 2008	**163.3**	**8.6%**	168.3	8.7%
Tuscarora Pipeline					
Senior Secured Notes					
(1997 – US$44.9; 1996 – US$45.3)	2010	**64.2**	**7.1%**	62.0	7.1%
Foothills Pipe Lines (Sask.)					
Note	2003	**73.0**	**7.0%**	71.0	7.3%
Trans Québec & Maritimes Pipeline					
First Mortgage Bonds	1998 to 2005	**95.0**	**9.9%**	97.0	9.9%
Foothills Pipe Lines (South B.C.)					
Bank Loans	2005	**48.2**	**8.3%**	48.2	8.3%
Ocean State Power Plant					
Senior Secured Notes					
(1997 – US$61.2; 1996 – US$66.9)	2002 to 2011	**87.5**	**7.7%**	91.6	7.7%
Energia Mayakan					
Bank Loans					
(1997 – US$12.0; 1996 – nil)	2011 to 2014	**17.2**	**7.7%**	—	—
		1,033.8		1,015.7	
Less: Non-Recourse Debt of Joint Ventures					
Due Within One Year		**51.0**		51.1	
		982.8		964.6	

(1) Amounts outstanding are stated in millions of Canadian dollars; amounts denominated in U.S. dollars are stated in millions.

(2) Weighted average interest rates are stated as at the respective outstanding dates. The effective weighted average interest rates on the bank loans of Northern Border Pipeline and the Iroquois System, resulting from swap agreements, are 7.0 per cent and 7.6 per cent, respectively, at December 31, 1997 (1996 – 7.6 per cent for both).

The debt of joint ventures is non-recourse to TransCanada. The security provided by each joint venture is limited to the rights and assets of that joint venture and does not extend to the rights and assets of TransCanada, except to the extent of TransCanada's investment.

The Company's proportionate share of mandatory retirements resulting from maturities and sinking fund obligations of the non-recourse joint venture debt approximates: 1998 – $51.0 million; 1999 – $46.2 million; 2000 – $120.1 million; 2001 – $56.7 million; and 2002 – $141.6 million.

Financial Charges of Joint Ventures

Year ended December 31 (millions of dollars)	1997	1996	1995
Interest on long-term non-recourse debt	**96.1**	89.1	87.2
Other	**1.4**	2.1	2.1
	97.5	91.2	89.3

The Company's proportionate share of the interest payments of joint ventures is $84.0 million, $84.5 million and $76.3 million for the years ended December 31, 1997, 1996 and 1995, respectively.

Note 8 Junior Subordinated Debentures and Preferred Securities

December 31 (millions of dollars)	Maturity Dates	Interest Rate	1997	1996
Junior Debentures (US$160.0 million)	2045	8.75%	**218.1**	218.1
Canadian Originated Preferred Securities (COPrS)				
(1997 – US$4.1 million; 1996 – US$3.8 million)	2045	8.50%	**5.8**	5.1
			223.9	223.2

Junior Debentures

In 1996, the Company issued US$160.0 million of Junior Subordinated Debentures (Junior Debentures) to TransCanada Capital, an unaffiliated business trust. TransCanada Capital issued US$160.0 million of Trust Originated Preferred Securities (TOPrS) through a public issue in the United States. The Junior Debentures, which comprise substantially all of the assets of TransCanada Capital, have terms which parallel the terms of the TOPrS. The Junior Debentures are redeemable at par by the Company at any time on or after July 23, 2001 and in certain circumstances prior to that date. The Company may elect to defer interest payments on the Junior Debentures. Interest and deferred interest, if any, are payable in cash.

The foreign exchange differential on the principal amount of the Junior Debentures, which is Canadian Mainline financing, will be recovered through the tollmaking process.

Preferred Securities

In 1996, the Company issued US$200.0 million of COPrS. The COPrS are redeemable by the Company at par at any time on or after November 7, 2001 and in certain circumstances prior to that date. The Company may elect to defer interest payments on the COPrS and settle deferred interest in either cash or common shares.

Since deferred interest may be settled through the issuance of common shares at the option of the Company, the COPrS have a debt and an equity component. The debt component of $5.8 million (US$4.1 million) and $5.1 million (US$3.8 million) at December 31, 1997 and 1996, respectively, represents the discounted amount of the principal repayable at final maturity. The remaining $280.0 million (US$195.9 million) and $261.1 million (US$196.2 million) at December 31, 1997 and 1996, respectively, is classified as Preferred Securities in Shareholders' Equity. Carrying charges on the debt component are recorded as interest expense and carrying charges on the equity component are recorded, after tax, as Preferred Securities Charges.

Note 9 Preferred Shares

December 31, 1997 and 1996	Number of Shares	Dividend Rate Per Share	Redemption Price Per Share	**Amount (millions of dollars)**
First Preferred Shares				
Cumulative redeemable				
$2.80 Series	552,968	$2.80	$50.50	**27.6**
Series O	3,000,000	$3.95	$52.00–$50.00	**150.0**
Series P	2,600,000	$3.875	$52.00–$50.00	**130.0**
Cumulative redeemable retractable				
Series Q	2,100,000	$3.275	$50.00	**105.0**
Series R	2,000,000	$2.975	$50.00	**100.0**
				512.6

The authorized number of preferred shares issuable in series is unlimited. All of the first preferred shares are without par value.

The $2.80 Series shares may be redeemed at any time at the option of the Company. The Company may elect to convert the Series O and Series P shares into common shares after October 31, 1998 and after April 30, 1999, respectively, at 95 per cent of the then market price of the common shares or, with the agreement of the shareholders, into new issues of preferred shares. In addition, after October 31, 2001 for Series O shares, and after April 30, 2002 for Series P shares, the holders have the option to convert their respective shares into common shares at 95 per cent of the then market price of the common shares, but the Company has the option to satisfy the obligations in cash, new issues of preferred shares, common shares or a combination thereof.

On or after December 15, 1999 for the Series Q shares, and on or after December 15, 2000 for the Series R shares, the Company may elect to convert the shares deposited for redemption or outstanding shares into common shares at 95 per cent of the then market price of the common shares.

Note 10 Common Shares

	Number of Shares (thousands)	Amount (millions of dollars)
Outstanding at January 1, 1995	184,811	946.7
Issued for cash or cash equivalent		
Under the dividend reinvestment and share purchase plan	5,148	86.9
Exercise of options	24	0.4
Conversion of Equity Preferred Shares	12,500	197.0
Outstanding at December 31, 1995	202,483	1,231.0
Issued for cash or cash equivalent		
Under the dividend reinvestment and share purchase plan	5,007	97.1
Exercise of options	252	4.3
Issued for acquisition of subsidiaries	3,533	68.9
Issued in settlement of convertible debentures	6,263	143.2
Cancellation of common shares	(2)	—
Outstanding at December 31, 1996	217,536	1,544.5
Issued for cash or cash equivalent		
Under the dividend reinvestment and share purchase plan	**4,298**	**105.6**
Exercise of options	**586**	**10.4**
Outstanding at December 31, 1997	**222,420**	**1,660.5**

Common Shares Issued and Outstanding

The Company is authorized to issue an unlimited number of common shares of no par value. In 1995, 12.5 million Cumulative Equity Second Preferred Shares, Series B (Equity Preferred Shares), which provided a cumulative annual dividend of $1.25 per share, were converted into 12.5 million common shares of the Company.

Net Income Per Share

Net income per share is calculated by dividing net income applicable to common shares by the weighted average number of common shares outstanding. The weighted average number of shares, in millions, for the years ended December 31, 1997, 1996 and 1995, is 220.2, 208.5, and 200.1, respectively.

Employee Stock Incentive Plan

	Number of Shares (thousands)	Exercise Prices	Options Exercisable (thousands)
Outstanding at January 1, 1995	2,312	$14.70 – $20.85	1,145
Granted	957	$18.40 – $18.455	
Exercised	(24)	$14.70 – $17.50	
Cancelled or expired	(39)	$17.125 – $20.10	
Outstanding at December 31, 1995	3,206	$14.70 – $20.85	1,504
Granted	1,001	$19.179 – $24.10	
Exercised	(252)	$14.70 – $20.10	
Cancelled or expired	(27)	$17.125 – $20.10	
Outstanding at December 31, 1996	3,928	$14.70 – $24.10	1,793
Granted	**2,336**	**$30.96**	
Exercised	**(586)**	**$14.70 – $24.10**	
Cancelled or expired	**(31)**	**$17.375 – $24.10**	
Outstanding at December 31, 1997	**5,647**	**$14.70 – $30.96**	**1,883**

The Key Employee Stock Incentive Plan (KESIP) permits the award of options to purchase the Company's common shares to certain key employees, some of whom are officers. Options may be exercised at a price determined at the time the option is awarded. Generally, 20 per cent of the common shares subject to an option may be purchased at the end of each year following the award date of the option. The weighted average exercise price of outstanding options as at December 31, 1997, 1996 and 1995, is $24.27, $19.29, and $17.88, respectively. At December 31, 1997 an additional 6.2 million common shares have been reserved for future issuance under KESIP.

Shareholder Rights Plan

The Company's Shareholder Rights Plan is designed to encourage the fair treatment of shareholders in connection with any takeover offer for the Company. Under certain circumstances, each common share is entitled to one right which entitles certain holders to purchase common shares of the Company at 50 per cent of the then market price.

Restriction on Dividends

Certain terms of the Company's preferred shares, preferred securities, junior subordinated debentures and debt instruments could restrict the Company's ability to declare dividends on preferred and common shares. At December 31, 1997 under the most restrictive provisions, approximately $1,026.3 million was permitted for the payment of dividends on common shares.

Note 11 Risk Management

The Company invests in foreign operations, issues short and long-term debt including amounts in foreign currencies and purchases and sells energy commodities. These activities result in exposures to foreign currency exchange rates, interest rates and energy prices. The Company uses derivatives to manage the price or cash flow risk that may result from these activities.

Carrying Values of Derivatives

The carrying amounts of derivatives which hedge the price risk of the U.S. dollar net assets partially offset the foreign exchange adjustment in Shareholders' Equity. Carrying amounts for interest rate swaps represent the net accrued interest from the last payment date to the reporting date. Foreign currency transactions hedged by foreign exchange contracts are recorded at the contract rate. The carrying amounts shown in the tables that follow are recorded in the Statement of Consolidated Financial Position.

Fair Values of Financial Instruments

Cash and short-term investments and notes payable are valued at their carrying amounts due to the short period to maturity. The fair values of long-term debt, non-recourse long-term debt of joint ventures and junior subordinated debentures are determined using market prices for the same or similar issues.

The fair values of derivatives have been estimated using year end market rates. These fair values approximate the amount that the Company would receive or pay if the instruments were closed out at these dates.

Credit Risk

Credit risk results from the possibility that a counterparty to a derivative in which the Company has an unrealized gain fails to perform according to the terms of the contract. Credit exposure is minimized by dealing only with creditworthy counterparties in accordance with established credit approval practices. At December 31, 1997, credit risk is $34.3 million for foreign currency and interest rate derivatives and $66.0 million for energy price risk derivatives. The largest credit exposure to a single counterparty is $10.3 million.

Notional Amounts

Notional principal amounts are not recorded in the financial statements because these amounts are not exchanged by the Company and its counterparties and are not a measure of the Company's exposure. Notional amounts are used only as the basis for calculating payments for certain derivatives.

The tables that follow provide information on derivatives held but not on the corresponding positions that have been hedged.

Foreign Investments – U.S. Dollar Net Asset Hedges

At December 31, 1997, the Company had foreign currency denominated net assets of approximately US$544.2 million (1996 – US$442.2 million), which creates an exposure to changes in the U.S./Canadian dollar exchange rate. The Company uses cross-currency swaps, forward foreign exchange contracts and options to hedge this exposure on an after-tax basis. The cross-currency swaps have a floating interest rate which the Company partially hedges by entering into interest rate swaps and forward rate agreements. The fair values shown in the table below for foreign exchange risk are offset by translation gains or losses on the net assets and are recorded in the foreign exchange adjustment in Shareholders' Equity.

Asset/(Liability) December 31 (millions of dollars)	1997		1996	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Foreign exchange risk				
Cross-currency swaps	**(13.8)**	**(13.8)**	(22.0)	(13.4)
Forward foreign exchange contracts	**2.2**	**2.3**	7.8	11.9
Foreign exchange options	**(1.4)**	**(2.3)**	—	—
Interest rate risk				
Interest rate swaps				
Canadian dollars	**0.7**	**7.0**	1.0	15.2
U.S. dollars	**(1.0)**	**3.9**	(0.1)	(0.5)
Forward rate agreements	—	—	—	(0.2)

The principal amounts of the cross-currency swaps and forward foreign exchange contracts are US$400.0 million (1996 – US$450.0 million) and US$258.9 million (1996 – US$205.0 million), respectively. Notional principal amounts of the foreign exchange options are US$240.0 million (1996 – nil). Notional principal amounts for interest rate swaps are $308.4 million (1996 – $352.1 million) and US$25.0 million (1996 – US$75.0 million) and the notional principal amounts of the forward rate agreements are US$25.0 million (1996 – US$250.0 million).

U.S. Dollar Transaction Hedges

The Company purchases and sells energy commodities in U.S. dollars. To reduce risk and protect margins when purchase and sales contracts are denominated in different currencies, the Company enters into forward foreign exchange contracts, which establish the foreign exchange rate for the cash flows from these purchase and sales transactions.

Asset/(Liability) December 31 (millions of dollars)	1997		1996	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Forward foreign exchange contracts	**6.8**	**(0.8)**	8.9	29.0

The principal amounts of forward foreign exchange contracts are US$378.3 million (1996 – US$348.7 million) and have terms ranging from one month to four years.

Energy Price Risk Management

The Company purchases and sells derivatives to manage the price risk associated with sales, purchases and inventories of energy commodities in its business activities. Futures contracts, which require the Company to buy or sell energy commodities at fixed prices, are used to manage the risk associated with unmatched fixed price commitments. Price and basis swaps are used to manage the risk associated with a fixed or index price so that the price basis of purchase and sales contracts is matched. The derivatives have terms ranging from less than one month to four years. The fair values shown in the table below are offset by related fair values on physical positions.

Asset/(Liability) December 31 (millions of dollars)	1997		1996	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Natural gas				
Futures contracts	**(1.1)**	**(1.1)**	0.7	0.7
Swaps	**—**	**(36.1)**	—	(47.6)
Crude oil and petroleum products				
Futures contracts	**(2.7)**	**(2.7)**	0.7	0.7
Swaps	**—**	**—**	—	(1.6)

Notional volumes for natural gas futures contracts are 27.9 Bcf (1996 – 3.8 Bcf) and 558.1 Bcf (1996 – 537.4 Bcf) for swaps. Notional volumes for crude oil and petroleum products futures contracts are 4.1 MMBbls (1996 – 6.5 MMBbls) and nil (1996 – 0.7 MMBbls) for swaps.

Canadian Mainline Foreign Exchange and Interest Rate Management

The Company manages the foreign exchange risk of U.S. dollar expenses using forward foreign exchange contracts. The Company also manages the interest rate exposure of the Canadian Mainline through the use of interest rate swaps and forward rate agreements. The realized gains and losses on these derivatives are shared with shippers on predetermined terms.

Asset/(Liability) December 31 (millions of dollars)	1997		1996	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Foreign exchange risk				
Forward foreign exchange purchase contracts	**1.1**	**1.1**	1.0	1.3
Forward foreign exchange sales contracts	**(0.3)**	**(0.2)**	(0.2)	(0.2)
Interest rate risk				
Interest rate swaps	**1.9**	**19.4**	1.2	14.9
Forward rate agreement	**—**	**(0.1)**	—	(0.3)

The principal amounts of the forward foreign exchange purchase and sales contracts are US$68.5 million (1996 – US$125.0 million) and US$31.0 million (1996 – US$80.0 million), respectively. Notional principal amounts for interest rate swaps and the forward rate agreement are $400.0 million (1996 – $200.0 million) and $100.0 million (1996 – $100.0 million), respectively.

Hedging Activities of Joint Ventures

Certain of the Company's joint ventures use interest rate derivatives to manage interest rate exposures. The Company's proportionate share of the credit exposure related to derivatives of the joint ventures is $11.9 million at December 31, 1997.

	TransCanada's Proportionate Share			
Asset/(Liability) December 31 (millions of dollars)	1997		1996	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Interest rate swaps	**(0.7)**	**(9.0)**	2.5	11.9

TransCanada's proportionate share of the notional principal amount of the interest rate swaps is US$548.1 million (1996 – US$187.5 million).

Other Fair Values

December 31 (millions of dollars)	1997		1996	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Long-term debt				
Canadian Mainline	**4,968.3**	**5,458.7**	4,479.3	5,176.7
Other	**1,530.2**	**1,538.3**	1,089.9	1,175.8
Non-recourse debt of joint ventures	**1,033.8**	**970.6**	1,015.7	1,122.5
Junior subordinated debentures	**223.9**	**247.1**	223.2	233.1

These fair values are provided solely for information purposes and are not recorded in the Statement of Consolidated Financial Position.

Note 12 Income Taxes

Reconciliation of Income Tax Expense

Year ended December 31 (millions of dollars)	**1997**	1996	1995
Income before income taxes	**618.3**	679.5	540.4
Income not subject to tax currently	**(234.5)**	(177.1)	(144.4)
	383.8	502.4	396.0
Federal and provincial statutory tax rate	**43.8%**	43.7%	43.7%
Expected income tax expense	**168.1**	219.5	173.1
Non-deductible expenses	**10.7**	12.9	6.4
Amortization of Canadian Mainline deferred income taxes	**—**	—	(25.3)
Non-deductible capital losses	**1.5**	11.4	4.4
Net difference between the federal and provincial statutory tax rate and rates of foreign authorities	**(20.1)**	(11.1)	(14.2)
Utilization of prior years' operating losses	**—**	—	(11.6)
Large corporations tax	**20.3**	18.0	14.3
Income from equity investments	**(11.3)**	(4.7)	(10.4)
Other	**(7.9)**	8.5	6.2
Actual income tax expense	**161.3**	254.5	142.9

Deferred Income Taxes

At the direction of the NEB, the Company follows the taxes payable method of accounting for income taxes related to the operations of the Canadian Mainline. Had the deferral method of accounting been prescribed by the NEB for the Canadian Mainline from the date of commencement of operations, additional deferred income taxes in the amount of $901.5 million to December 31, 1997 (1996 – $816.5 million) would have been recorded and recovered in tolls.

Provision for Income Taxes

Year ended December 31 (millions of dollars)	**1997**	1996	1995
Current			
Canada	**98.7**	162.4	142.5
Foreign	**28.1**	81.0	38.1
	126.8	243.4	180.6
Deferred			
Canada	**27.5**	7.2	(37.0)
Foreign	**7.0**	3.9	(0.7)
	34.5	11.1	(37.7)
	161.3	254.5	142.9

Geographic Components of Income before Income Taxes

Year ended December 31 (millions of dollars)	**1997**	1996	1995
Canada	**439.1**	458.0	407.3
Foreign	**179.2**	221.5	133.1
	618.3	679.5	540.4

Unremitted Earnings of Foreign Investments

Income taxes have not been provided on the unremitted earnings of foreign investments which the Company intends to indefinitely reinvest in foreign operations. If provision for these taxes had been made, deferred income taxes would increase by approximately $37.8 million at December 31, 1997 (1996 – $23.0 million, 1995 – $14.0 million).

Income Tax Payments

Income tax payments of $120.7 million, $263.5 million and $136.4 million were made during the years ended December 31, 1997, 1996 and 1995, respectively.

Note 13 Notes Payable

	1997		1996	
	Balance at End of Year (millions of dollars)	**Weighted Average Interest Rate Per Annum at End of Year**	Balance at End of Year (millions of dollars)	Weighted Average Interest Rate Per Annum at End of Year
Bank indebtedness				
U.S. dollars	**15.7**	**6.3%**	—	—
Commercial paper				
Canadian dollars	**502.7**	**3.9%**	169.8	3.2%
U.S. dollars	**74.8**	**5.7%**	36.8	5.5%
Notes payable of joint ventures				
Canadian dollars	**19.9**	**3.9%**	15.8	5.3%
U.S. dollars	**54.9**	**6.8%**	4.1	5.9%
	668.0		226.5	

The Company has unused lines of credit of $2.0 billion at December 31, 1997, which support the Company's commercial paper program and are available to secure energy commodity purchases and for general corporate purposes. If used, interest on the lines of credit would be charged at prime rates of Canadian chartered and U.S. banks and at other negotiated financial bases. The cost to maintain the unused portion of the lines of credit is approximately $1.0 million for the year ended December 31, 1997 (1996 – $0.8 million).

Note 14 Pension Plans

The Company's non-contributory defined benefit and defined contribution pension plans cover substantially all employees. The Company's net pension expense was $13.6 million, $14.9 million, and $12.0 million for the years ended December 31, 1997, 1996 and 1995, respectively.

The defined benefit pensions are based on length of service and the employee's final average earnings. The actuarial present value of current accumulated pension benefits, substantially all of which are vested, amounted to $348.4 million at December 31, 1997 (1996 – $335.5 million). At December 31, 1997, the pension plan assets amounted to $328.3 million (1996 – $335.8 million). Pension plan assets are valued at average market value and include marketable equity securities and corporate and government debt securities. The rate of return on pension plan assets was estimated to be 7.5 per cent per annum. In determining the actuarial present value of the projected pension benefit obligation, the discount rate used was 7.5 per cent and the rate of projected increase in future compensation levels used ranged from 3.0 to 4.0 per cent.

Under the defined contribution pension, which was introduced in 1997, Company contributions are based on the participating employee's pensionable earnings.

Note 15 Operating Working Capital

Year ended December 31 (millions of dollars)	**1997**	1996	1995
Increase in accounts receivable	**(206.8)**	(488.4)	(36.6)
(Increase)/decrease in inventories	**(108.9)**	(69.3)	8.1
(Increase)/decrease in other current assets	**(21.3)**	3.0	0.1
Increase in accounts payable	**75.2**	482.2	46.1
Increase in accrued interest	**10.4**	10.1	0.6
	(251.4)	(62.4)	18.3

Note 16 Contingencies

The Company and its subsidiaries are subject to various legal proceedings and actions arising in the normal course of business. Management considers the aggregate liability, if any, of these actions and proceedings to be immaterial.

Among these actions and proceedings is one in which a U.S. subsidiary of the Company is one of the subjects of an action in Montana alleging anti-trust conspiracy and violations and claiming treble damages. In addition, the Company is the subject of an action in Texas alleging breach of agreement and defamation and claiming damages and punitive damages. The Company is unable to determine at this time how these two matters will be resolved but does not believe that they will have a material effect on its financial position. No provision has been made with respect to these two actions.

Note 17 Significant Differences Between Canadian and U.S. GAAP

Net Income Reconciliation

Year ended December 31 (millions of dollars except per share amounts)	1997	1996	1995
Net income as reported in accordance with Canadian GAAP	**457.0**	425.0	397.5
U.S. GAAP adjustments			
Preferred securities charges, net of tax (1)	**(13.1)**	(1.9)	—
Income taxes (2)	**(7.1)**	(3.0)	(3.2)
Foreign currency translation (3)	**—**	(3.5)	1.1
Net income in accordance with U.S. GAAP	**436.8**	416.6	395.4
Basic and diluted net income per share in accordance with U.S. GAAP	**$1.82**	$1.82	$1.74

(1) Under U.S. GAAP, the financial charges related to COPrS are recognized as an expense.

(2) Under U.S. GAAP, the liability method is used to calculate deferred income taxes and deferred income tax expense is calculated as the net change in the deferred tax liability during the year. Refer to "Income Taxes".

(3) Under U.S. GAAP, the unrealized foreign exchange gains and losses with respect to borrowings in foreign currencies are recognized in income immediately.

Condensed Statement of Consolidated Income (4)

Year ended December 31 (millions of dollars)	1997	1996	1995
Revenues	**13,597.6**	10,431.2	6,667.3
Cost of sales	**11,135.3**	8,018.4	4,796.3
Other costs and expenses	**1,178.4**	1,099.9	774.5
Depreciation	**318.6**	284.7	233.4
	12,632.3	9,403.0	5,804.2
Operating income	**965.3**	1,028.2	863.1
Other (income)/expense			
Income from equity investments	**(165.0)**	(177.8)	(166.0)
Other expenses	**535.7**	533.4	487.6
Income taxes	**157.8**	256.0	146.1
	528.5	611.6	467.7
Net income in accordance with U.S. GAAP	**436.8**	416.6	395.4

Condensed Statement of Consolidated Financial Position (4)

December 31 (millions of dollars)	1997	1996
Current assets	**1,919.5**	1,540.5
Long-term investments	**1,593.0**	1,300.1
Plant, property and equipment	**9,521.5**	8,447.1
Regulatory asset	**1,452.0**	1,346.7
Other assets	**195.0**	76.1
	14,681.0	12,710.5
Current liabilities	**2,337.9**	1,869.4
Deferred amounts	**113.1**	26.4
Long-term debt	**6,020.6**	5,148.2
Deferred income taxes	**1,655.7**	1,476.7
Preferred securities (5)	**285.8**	273.9
Trust originated preferred securities	**218.1**	218.1
Non-controlling interests	**96.1**	—
Shareholders' equity	**3,953.7**	3,697.8
	14,681.0	12,710.5

(4) In accordance with U.S. GAAP, the condensed Statements of Consolidated Income and Financial Position are prepared using the equity method of accounting for joint ventures. Excluding the impact of other U.S. GAAP adjustments, the use of the proportionate consolidation method of accounting for joint ventures, as required under Canadian GAAP, results in the same net income and shareholders' equity.

(5) Under U.S. GAAP, COPrS are classified as a liability. The fair value of COPrS at December 31, 1997 is $296.6 million (1996 – $280.8 million).

Income Taxes

U.S. GAAP requires that the Company record a deferred income tax liability for its cost-of-service regulated businesses. As these deferred income taxes are recoverable through future revenues, a corresponding regulatory asset is recorded for U.S. GAAP purposes. Deferred tax assets and liabilities are adjusted for changes in enacted tax rates.

The tax effects of differences between the accounting value and the tax value of assets and liabilities are as follows.

December 31 (millions of dollars)	1997	1996
Deferred tax liabilities		
Accelerated tax depreciation on plant and equipment	**1,054.2**	958.1
Taxes on future revenue requirement	**504.7**	459.7
Undistributed earnings of subsidiaries and joint ventures	**93.3**	92.9
Other	**51.3**	25.4
	1,703.5	1,536.1
Deferred tax assets		
Net operating and capital loss carryforwards	**62.0**	70.3
Other	**54.9**	73.2
	116.9	143.5
Valuation allowance	**(69.1)**	(84.1)
	47.8	59.4
	1,655.7	1,476.7

The valuation allowance was decreased by $15.0 million in 1997 (1996 – $37.2 million), primarily resulting from lower capital loss carryforwards.

Other

The Company has retained the measurement rules of APB Opinion No. 25 to account for the stock option plan. The use of the fair value method of FAS No. 123, "Accounting for Stock-Based Compensation" would not impact earnings per share in 1997, 1996 and 1995.

Note 18 Subsequent Event

On January 24, 1998, TransCanada and NOVA Corporation (NOVA) signed an agreement to combine the two companies under a plan of arrangement. Under the terms of the agreement, each NOVA common share will be exchanged for 0.52 TransCanada common shares. Pursuant to the plan of arrangement, the businesses will be split into separate energy and chemicals businesses, each held in a separate public company owned by the combined TransCanada and NOVA shareholder groups. The proposed transaction is expected to be completed in 1998 and is subject to the receipt of necessary shareholder and regulatory approvals.

Supplementary Information

Selected Quarterly Consolidated Financial Data

The following sets forth selected quarterly financial data for the four quarters of 1997 and 1996 in millions of dollars except for per share amounts.

Three months ended (unaudited)	March 31	June 30	September 30	December 31
1997				
Revenues	**3,645.4**	**3,408.6**	**3,310.1**	**3,878.7**
Net income applicable to common shares	**105.2**	**100.0**	**101.9**	**100.5**
Net income per share	**$0.48**	**$0.46**	**$0.46**	**$0.45**
Dividends declared per common share	**$0.29**	**$0.29**	**$0.29**	**$0.31**
1996				
Revenues	2,277.4	2,603.4	2,712.8	3,197.0
Net income applicable to common shares	91.8	95.4	96.0	102.0
Net income per share	$0.45	$0.46	$0.46	$0.48
Dividends declared per common share	$0.27	$0.27	$0.27	$0.29

Consolidated Ratio of Earnings to Fixed Charges

The following table sets forth the Company's consolidated ratio of earnings to fixed charges for the periods indicated.

Year ended December 31	**1997**	1996	1995	1994	1993	1992	1991	1990
Ratio of earnings to fixed charges (1)	**2.0**	2.1	2.0	1.9	2.0	2.0	1.8	1.8

(1) The ratio of earnings to fixed charges is determined by dividing the financial charges incurred by the Company (before capitalized interest) into its income from operations before financial charges and income taxes, excluding undistributed income of less than 50 per cent owned persons.

The following table sets forth the Company's consolidated ratio of earnings to fixed charges for the periods indicated, determined in the manner described in (1) above, but utilizing similar information determined in accordance with U.S. GAAP.

Year ended December 31	**1997**	1996	1995	1994	1993	1992	1991	1990
Ratio of earnings to fixed charges	**1.9**	2.1	2.0	1.9	2.0	2.0	1.9	1.9

Differences are described in Note 17 "Significant Differences Between Canadian and U.S. GAAP", to the Consolidated Financial Statements.

Financial Instruments Disclosures

Market Risk Management

TransCanada is exposed to market risks in certain businesses and geographic areas. The Company manages the market risk of financial and energy marketing activities on a consolidated basis and identifies market risks that may impact earnings objectives. Measuring, analyzing and monitoring market risk allows the Company to keep market risk within levels approved by senior management and make informed decisions in managing market exposures.

Market risk is the risk of financial loss resulting from adverse movements in foreign currency exchange rates, interest rates, or prices of energy commodities. Management uses derivatives such as futures, forwards, swaps and options to manage exposures to market risk.

The Company's market risk management activities are governed by policies approved by senior management. Activities are managed within pre-defined and approved credit and market risk limits. Monitoring and reviewing market risk positions are the responsibility of the Corporate and Marketing Exposure Committees.

The Corporate Exposure Committee is comprised of senior management representatives and is responsible for the review of positions created by the financial activities of the Company. The Committee reviews exposures to changes in energy commodity prices, foreign currency exchange rates and interest rates based on sensitivity and fair value analyses on a monthly basis. Sensitivity analysis measures the potential impact on future net earnings as a result of adverse movements in rates or prices. The analysis assists senior management in responding to changing market conditions that may impact earnings objectives.

Energy marketing market risk exposures are managed through the use of an aggregate dollar value-at-risk (VAR) limit. The aggregate dollar limit is approved by the Board of Directors and monitored by the Marketing Exposure Committee, which is also comprised of senior management representatives. The Marketing Exposure Committee reviews the aggregate of all open positions across the marketing businesses weekly.

Financial Activities

Foreign Investments – U.S. Dollar Net Assets

The Company's most significant foreign currency exposure is related to investments denominated in U.S. dollars. At December 31, 1997, the Company had U.S. dollar denominated net assets of approximately US$544.2 million. The Company uses cross-currency swaps, forward foreign exchange contracts and foreign exchange options to hedge this exposure on an after-tax basis to maintain the value of net U.S. dollar investments. At December 31, 1997, the potential impact of an immediate and sustained decline of 10 per cent in the U.S./Canadian dollar exchange rate would increase Shareholders' Equity by approximately $8.7 million (after tax). Certain cross-currency swaps have a floating interest rate which the Company partially hedges by entering into interest rate swaps and forward rate agreements. The effect of an immediate and sustained 10 per cent change in interest rates would result in an annual decrease in earnings of approximately $0.7 million (after tax) based on positions at December 31, 1997.

Canadian Mainline Foreign Exchange and Interest Rate Management

Foreign exchange and interest costs of the Canadian Mainline are recoverable through the tollmaking process. Under the Incentive Agreement, the Company manages these costs through the use of forward foreign exchange contracts, interest rate swaps and forward rate agreements. The realized gains and losses on these derivatives are shared with shippers on predetermined terms. At December 31, 1997, the fair value of derivatives used in managing foreign exchange risk is a gain of $1.1 million (before tax) for forward foreign exchange purchase contracts and a loss of $0.2 million (before tax) for forward foreign exchange sales contracts. The potential impact on annual earnings of an immediate and sustained 10 per cent increase in interest rates on the derivatives used in the management of Canadian Mainline interest costs is a decrease in annual earnings of approximately $0.5 million (after tax) based on positions at December 31, 1997.

Energy Marketing Activities

Commodity Price Risk Management

Energy marketing activities involve the purchase and sale of energy commodities, including natural gas and crude oil and petroleum products. TransCanada monitors market risks resulting from energy marketing activities using fair value information and VAR calculations. The quantification of market risk using VAR provides a consistent measure of risk across diverse energy markets and products. VAR incorporates assumptions relating to historical and current market data, correlation of energy prices, and identifies offsetting open positions. VAR calculations incorporate physical commitments to purchase or sell energy commodities as well as the related derivative contracts used to manage price risk.

TransCanada's VAR methodology uses historical price volatility and correlations to estimate the size and probability of future potential losses. The VAR calculation is based on a variance/co-variance model which assumes a log normal price distribution using mid-market prices. VAR, expressed in dollars, is based on a 95 per cent confidence level using an average one-day holding period.

At December 31, 1997, VAR calculations indicate that there is a five per cent probability that before-tax losses on December 31, 1997 positions would exceed $4.2 million the next day. Average VAR for the year ended December 31, 1997 is $1.0 million (before tax) for gas marketing activities and $2.0 million (before tax) for petroleum and products marketing activities. VAR calculations are point in time calculations and may not be indicative of VAR calculated using more recent data.

Eight-Year Financial Highlights

(millions of dollars except where indicated)	**1997**	1996	1995	1994	1993	1992	1991	1990
Operating Results								
Revenues	**14,242.8**	10,790.6	7,005.6	5,218.5	4,531.7	3,981.2	3,236.2	3,106.5
Net income	**457.0**	425.0	397.5	358.6	355.6	328.7	251.2	214.9
Assets								
Plant, property and equipment								
Canadian Mainline	**8,112.7**	7,287.9	6,890.1	6,677.6	6,430.5	5,876.1	4,727.0	3,469.5
North American pipeline investments	**2,558.7**	2,311.0	1,746.7	1,743.1	1,644.9	1,577.1	1,417.9	960.9
Energy processing and other	**1,401.5**	1,091.2	404.3	339.5	300.7	313.7	301.6	197.8
Total assets	**14,571.6**	12,649.5	10,393.7	9,926.4	9,312.8	9,398.7	7,650.2	5,967.1
Capitalization								
Long-term debt	**6,020.6**	5,148.2	4,352.1	4,252.3	4,170.0	3,894.8	3,369.6	2,859.3
Non-recourse debt of joint ventures	**982.8**	964.6	973.1	907.9	889.1	975.1	868.5	494.2
Junior subordinated debentures	**223.9**	223.2	—	—	—	—	—	—
Preferred securities	**280.0**	261.1	—	—	—	—	—	—
Preferred shares								
Subject to mandatory redemption	**—**	—	75.0	75.0	75.0	75.0	155.0	155.0
Not subject to mandatory redemption	**512.6**	512.6	587.6	537.6	507.8	513.3	384.0	234.3
Equity preferred shares and common shareholders' equity	**3,482.3**	3,219.9	2,766.6	2,536.4	2,314.3	2,098.2	1,659.3	1,280.4
Cash Flow Data								
Funds generated from operations	**876.2**	831.0	684.7	647.3	600.7	597.5	410.9	399.7
Capital expenditures	**1,693.9**	1,294.2	673.7	623.0	833.1	1,426.2	1,911.6	646.5
Share Statistics								
Net income per share	**$1.85**	$1.85	$1.75	$1.60	$1.62	$1.56	$1.34	$1.23
Dividends declared per common share	**$1.18**	$1.10	$1.02	$0.94	$0.86	$0.78	$0.73	$0.69
Funds generated from operations per share	**$3.98**	$3.99	$3.42	$3.32	$3.15	$3.30	$2.51	$2.60
Return on Average Common Equity	**12.38%**	13.01%	13.14%	12.78%	13.92%	14.78%	14.77%	15.31%
Registered Common Shareholders, December 31	**17,715**	17,388	17,345	17,748	18,168	18,639	18,871	17,733
Number of Regular Employees, December 31	**3,042**	2,663	1,949	1,848	1,764	1,791	1,784	1,757
U.S. GAAP Information								
Net income	**436.8**	416.6	395.4	348.5	364.3	343.5	266.5	225.9
Net income per share	**$1.82**	$1.82	$1.74	$1.55	$1.66	$1.64	$1.43	$1.31
Equity preferred shares and common shareholders' equity	**3,441.1**	3,185.2	2,730.6	2,500.2	2,286.3	2,072.4	1,615.2	1,214.4

Corporate Information

Directors
(December 31, 1997)

Robert E. Dineen, Jr.
Partner
Shearman & Sterling
New York

Wendy Dobson
Professor
University of Toronto
Centre for International Business
Toronto

L. Yves Fortier, C.C., Q.C.
Chairman and Senior Partner
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Kerry L. Hawkins
President
Cargill Limited
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Thomas E. Kierans
President and Chief Executive Officer
C.D. Howe Institute
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The Hon. Donald S. Macdonald, P.C., C.C.
Counsel
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Chairman
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James and Associates
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Harry G. Schaefer
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Allan R. Taylor
Former Chairman and
Chief Executive Officer
Royal Bank of Canada
Toronto

Joseph D. Thompson, P.Eng.
Chairman
PCL Construction Group Inc.
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George W. Watson
President and Chief Executive Officer
TransCanada PipeLines Limited
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Margaret K. Witte
Chairman, President and
Chief Executive Officer
Royal Oak Mines
Kirkland, Washington

Corporate Governance
(December 31, 1997)

TransCanada's board of directors (the Board) and the members of TransCanada's management are committed to a high standard of corporate governance. TransCanada's corporate governance practices comply with the Guidelines for Improved Corporate Governance in Canada adopted by The Toronto Stock Exchange (TSE) and The Montreal Exchange. The Company's principal objective in directing and managing its business and affairs is to enhance shareholder value. The Company believes that effective corporate governance improves corporate performance and benefits all shareholders.

The by-laws of the TSE and the policy statement of The Montreal Exchange require that companies listed thereon disclose on an annual basis their corporate governance practices as they relate to the "Guidelines for Improved Corporate Governance" contained in the Report of The Toronto Stock Exchange Committee on Corporate Governance in Canada (the TSE Report).

The following addresses the principal matters relating to TransCanada's corporate governance practices as required by the TSE and The Montreal Exchange. It has been approved by the Corporate Governance Committee of the Board and by the Board as a whole.

Mandate of the Board

TransCanada's Board has ultimate responsibility for the overall stewardship of the Company. Day-to-day management is the responsibility of the chief executive officer (the CEO) and senior management.

The Board discharges its responsibilities directly and through committees. At regularly scheduled meetings, members of the Board and management discuss a broad range of issues relevant to the Company's strategy and business interests. The Board also receives reports from management on the Company's operational and economic performance.

Strategies, business plans, corporate policies, financings, human resource programs and succession plans are items proposed by management for consideration and, if appropriate, approved by the Board. In addition, reports of board committees are received and considered. To fulfil its obligations, the Board approves an annual schedule of management presentations for Board and committee meetings. Materials are delivered in advance to the directors for all meetings in order to facilitate informed discussion and decision making. The Board has nine scheduled meetings each year and unscheduled meetings are held from time to time as required. There were 12 meetings of the Board in 1997.

Composition of the Board

The Board is composed of 13 directors. One director (the CEO) is an employee of the Company and one director (the Chairman) is a former employee of the Company. The Board believes that all 11 of the other directors are "unrelated" directors, as that term is used in the TSE Report. Each of them is independent of management, none has any interest, business or other relationship that could or could reasonably be perceived to materially interfere with his or her ability to act in the best interests of the Company, and none has received remuneration from TransCanada in excess of directors' fees.

Independent functioning of the Board

The chairman of the Board is a separate position from the CEO. The Board has a significant majority of unrelated directors. The agendas of the Board and committee meetings are set by management, by the Board as a whole and by each committee. Any director may call a meeting of the board or a committee of which the director is a member. The directors periodically meet in the absence of the CEO and other members of management. Individual directors may engage outside advisors in appropriate circumstances with the authorization of the chairman of the Board and the CEO. The effectiveness of the Board and the committees is assessed annually by each director. The Governance Committee considers directors' comments and suggests changes to improve the governance processes.

Description of the board committees and their mandates

At this time, the Board has established four committees: the Audit and Environmental Committee; the Executive Committee; the Governance Committee; and the Human Resources Committee. All committees have a majority of members who are unrelated directors and, in the case of the Human Resources Committee, the Governance Committee and the Audit and Environmental Committee, all members are unrelated directors.

Audit and Environmental Committee

This Committee, which met six times in 1997, reviews the Company's audited financial statements before they are approved by the Board, approves the release of quarterly financial results, monitors accounting, financial reporting, control and audit functions, reviews risk management policies and reviews issues relating to legal and regulatory responsibilities to ensure compliance. It also receives reports on the Company's environmental and safety practices and procedures and the implementation of the environmental and safety policy. It meets with the outside auditors, the Director, Internal Audit and the Director, Environment, Health and Safety, in each case independently of other management.

Chair:
H.G. Schaefer

Members:
R.E. Dineen, Jr.
K.L. Hawkins
J.R. Paul
J.D. Thompson
M.K. Witte
G.J. Maier *(ex officio)*

Executive Committee

This Committee's mandate is to exercise powers of the Board, with certain exceptions prescribed by law, and to meet with the CEO to discuss significant policy issues, business plans, acquisitions and divestitures. It met twice in 1997.

Chair:
G.J. Maier

Members:
L.Y. Fortier
T.E. Kierans
D.S. Macdonald
A.R. Taylor
G.W. Watson

Governance Committee

This Committee's mandate is to enhance the Company's governance through a continuing assessment of governance issues, to recommend to the Board candidates for nomination as directors, to review and recommend compensation for Board and Committee service, to review the performance of directors and the Board, to monitor the relationship between management and the Board and undertake initiatives as are needed to help deliver pre-eminent corporate governance. The committee met four times in 1997.

Chair:
W. Dobson

Members:
R.E. Dineen, Jr.
L.Y. Fortier
D.S. Macdonald
G.J. Maier

Human Resources Committee

This Committee, which met four times in 1997, reviews human resource policies and plans, monitors succession planning, assesses the performance of the CEO and other senior officers against objectives, approves the salary and other compensation of the CEO and other senior officers and approves the executive compensation plans, including the granting of options under the stock option plan.

Chair:
A.R. Taylor

Members:
W. Dobson
K.L. Hawkins
T.E. Kierans
H.G. Schaefer
G.J. Maier *(ex officio)*

Communications

TransCanada's public affairs, investor relations and corporate secretarial departments provide information to and respond to inquiries from shareholders. Shareholder inquiries or suggestions are forwarded to the appropriate person or committee. TransCanada has a toll-free number shareholders and others can call to receive information; telephone numbers are provided on page 86 of this Annual Report.

Executive Officers
(December 31, 1997)

George W. Watson
President and Chief Executive Officer

Gavin J. Couper
Senior Vice-President and Chief Technical Officer

A. Jake Epp
Senior Vice-President and President, TransCanada International Business Development Ltd.

Robert B. Hodgins
Senior Vice-President and Chief Financial Officer

Stephen J.J. Letwin
President, TransCanada Energy USA Inc.

Wayne E. Lunt
Senior Vice-President and President, North American Pipeline Investments, TransCanada Energy Transmission Ltd.

Garry P. Mihaichuk
Senior Vice-President and President and Chief Executive Officer, TransCanada International Ltd.

Walentin Mirosh
President, Alberta Natural Gas Company Ltd

Robert J. Reid
Senior Vice-President and President, Canadian Mainline, TransCanada Energy Transmission Ltd.

Ray T. Smith
Senior Vice-President, Human Resources and Administration

G. Lawrence Spackman
President, TransCanada Gas Services and TransCanada Power, divisions of TransCanada Energy Ltd.

Robert A.M. Young, Q.C.
Senior Vice-President, Law and Chief Compliance Officer

Corporate Officers
(December 31, 1997)

Karyn A. Brooks
Vice-President and Controller

Doron J. Cohen
Vice-President, Information Systems and Telecommunications

Marcel R. Coutu
Vice-President, Finance

Lennard Jaskula
Vice-President, Strategic Coordination and Investor Relations

Alison T. Love
Corporate Secretary and Associate General Counsel

James M. Murray
General Counsel, Litigation and Regulatory and Assistant Corporate Secretary

Gary G. Penrose
Vice-President, Taxation

David E. Reid
Vice-President, Engineering and Construction

Bruce A. Westell
Vice-President and Treasurer

Paul R. Wigle
Vice-President, Planning and Evaluations

Business Unit Officers
(December 31, 1997)

TransCanada Energy Transmission

Robert J. Reid
President, Canadian Mainline

Wayne E. Lunt
President, North American Pipeline Investments

Phillip R. Knoll
Senior Vice-President

John W. Carruthers
Vice-President, Strategic Development

David Dominy
Vice-President, Transportation and Marketing

Max Feldman
Vice-President, Business Operations

Greg A. Lohnes
Vice-President, Joint Ventures

Paul MacGregor
Vice-President, ANG Pipeline

John G. Walker
Vice-President, Facilities Operations

Scott Woronuik
Vice-President, Strategic Implementation

TransCanada Energy Calgary

George W. Watson
Chief Executive Officer

G. Lawrence Spackman
President, Gas Marketing and Power Groups

Steven D. Becker
Senior Vice-President, Marketing and Business Development

Russell Girling
Senior Vice-President, Power

Mark Himmelspach
Senior Vice-President, Product Development

Joel G. Johnson
Senior Vice-President, Supply

Michael J. O'Brien
Senior Vice-President, Product Services

Mark Smith
Senior Vice-President, Trading and Operations

Lori J. Bondar
Vice-President, Market Risk Management

Edward J. Brown
Vice-President, Corporate and Treasurer

Bradley J. Thomson
Vice-President, Corporate Development

TransCanada Energy Houston

Stephen J.J. Letwin
President, Petroleum Group

Gregg W. Reulbach
Executive Vice-President, Energy Services

Kyle S. Lansford
Senior Vice-President, Trading

Michael F. O'Brien
Senior Vice-President, Supply Services

Cancarb Limited

Bob Hale
President

Alberta Natural Gas Company Ltd

Walentin Mirosh
President

Robert A. Ritchie
Vice-President, Business Development Extraction and Petrochemicals

Timothy L. Stauft
Vice-President, Commercial Development

David J. Schmunk
Vice-President, Operations

Bruce A. Stevenson
General Counsel and Corporate Secretary

TransCanada International

Garry P. Mihaichuk
President and Chief Executive Officer

Donald M. Wishart
Senior Vice-President, Project Development

Andrew Jenkins
Vice-President, Project Development

TransCanada International Business Development

A. Jake Epp
President

Daryll Waddingham
Executive Vice-President, Acquisitions

Patrick Chu
President, Asia Pacific

John W. Harkins
President, Latin America

Fred Button
Senior Executive, Special Projects

TransCanada International Petroleum

Thomas M. Leaver
President

TransCanada International Petroleum (Asia Pacific) Pte

Wee Tai Seck
President, Asia Pacific

Investor Information

Stock Exchanges

Common and preferred shares are listed on the Toronto, Montréal, Vancouver, Alberta and Winnipeg stock exchanges. Common shares, TOPrS[SM] and COPrS[SM] are listed on the New York Stock Exchange.

Stock Symbols

Common all exchanges: TRP; $2.80 Cumulative redeemable first preferred: TRP.PR.A; Cumulative redeemable first preferred Series O: TRP.PR.O; and Series P: TRP.PR.P; Cumulative redeemable retractable first preferred Series Q: TRP.PR.Q; and Series R: TRP.PR.R on the Toronto, Montréal, Vancouver, Alberta and Winnipeg stock exchanges. TOPrS[SM]: TCL.Pr.; and COPrS[SM] : TRP.Pr.C on the New York Stock Exchange.

Important Dates

Scheduled dividend payment dates in 1998 are January 30, April 30, July 31 and October 30. Quarterly earnings news releases in 1998 are scheduled for April 24, July 22 and October 22.

Dividend Reinvestment and Share Purchase Plan

TransCanada's dividend reinvestment and share purchase plan allows common and preferred shareholders to purchase additional common shares by reinvesting their cash dividend without incurring brokerage or administrative fees. Participants in the plan may make optional cash payments to buy additional shares of up to $5,000 (US$3,500) per quarter.

Non-resident Investors

Dividends paid by TransCanada to shareholders outside Canada are subject to Canadian non-resident withholding tax. The general rate is 15 per cent for the investors resident in United States and other countries where Canadian tax treaties apply. Residents of non-treaty countries are subject to a 25 per cent withholding tax on dividends.

Certain exemptions related to the tax may be available to residents of the United States. Corporate investors holding more than 10 per cent of the voting shares of a company may pay withholding tax at a rate of five per cent for dividends paid in 1998 and beyond. Shareholders should consult their tax advisors.

Common Shares

Transfer agents and registrars: Montreal Trust Company of Canada (Montréal, Toronto, Winnipeg, Regina, Calgary and Vancouver) and Bank of Montreal Trust Company (New York).

Preferred Shares

Transfer agent and registrar for the preferred shares listed below: Montreal Trust Company of Canada (Montréal, Toronto, Winnipeg, Regina, Calgary and Vancouver).

$2.80 cumulative redeemable first preferred shares
Cumulative redeemable first preferred shares, Series O and Series P
Cumulative redeemable retractable first preferred shares, Series Q and Series R

[SM]Service marks of Merrill Lynch & Co., Inc.

Trust Originated Preferred Securities℠ (TOPrS℠)

Trustee: IBJ Schroder Bank & Trust Company (New York). TOPrS are obligations of TransCanada Capital, an unaffiliated business trust. Listed on the New York Stock Exchange.

Canadian Originated Preferred Securities℠ (COPrS℠)

Trustee: IBJ Schroder Bank & Trust Company (New York). Listed on the New York Stock Exchange.

First Mortgage Pipe Line Bonds

Trustee and Registrar: CIBC Mellon Trust Company, as agent for National Trust Company (Toronto). Co-Registrar and Paying Agent U.K. Series, 16 1/2% – the Royal Bank of Scotland plc (London, England).

Debentures

Trustee and Registrar for Canadian series listed below: Montreal Trust Company of Canada (Montréal, Toronto, Winnipeg, Calgary and Vancouver).

11.40% series J	11.85% series R
10.80% series L	11.90% series S
10.55% series M	11.65% series T
11.10% series N	11.80% series U
10.50% series O	9.80% series V
10.50% series P	9.45% series W
10.625% series Q	

Trustee and registrar for U.S. series 9.875%, 8.625% and 8.50%: Bank of Montreal Trust Company (New York).

Subordinated Debentures

Trustee and registrar for U.S. series 9.125%: The Bank of Nova Scotia Trust Company of New York.

Canadian Medium Term Notes

Trustee: CIBC Mellon Trust Company (Montréal, Toronto, Winnipeg, Regina, Calgary and Vancouver).

U.S. Medium Term Notes

Trustees: Bank of Montreal Trust Company, New York (unsubordinated notes); The Bank of Nova Scotia Trust Company of New York (subordinated notes).

℠Service marks of Merrill Lynch & Co., Inc.

Additional Information

Annual Information Form

TransCanada's 1997 Annual Information Form, as filed with Canadian securities commissions and as filed under Form 40-F with the U.S. Securities and Exchange Commission, may be obtained from:

Corporate Secretary
TransCanada PipeLines Limited
P. O. Box 1000, Station M
Calgary, Alberta, Canada T2P 4K5

Si vous désirez vous procurer un exemplaire de ce rapport en français, veuillez vous adresser par écrit à TransCanada PipeLines Limited, bureau du secrétaire.

Quarterly Updates

If you would like to receive quarterly reports but are not a registered shareholder, please write or call us with your name and address. To receive our news releases by fax, please forward your fax number to us.

To change your address, eliminate multiple mailings, request information regarding cheques, share certificates, stock transfers or dividend reinvestment plan account updates, please contact the transfer agent:

Montreal Trust Company of Canada
Stock Transfer Services
600, 530 – 8th Avenue S.W.
Calgary, Alberta, Canada T2P 3S8
Telephone: (403) 267-6555 or toll-free: 1-800-558-0046

Internet Site

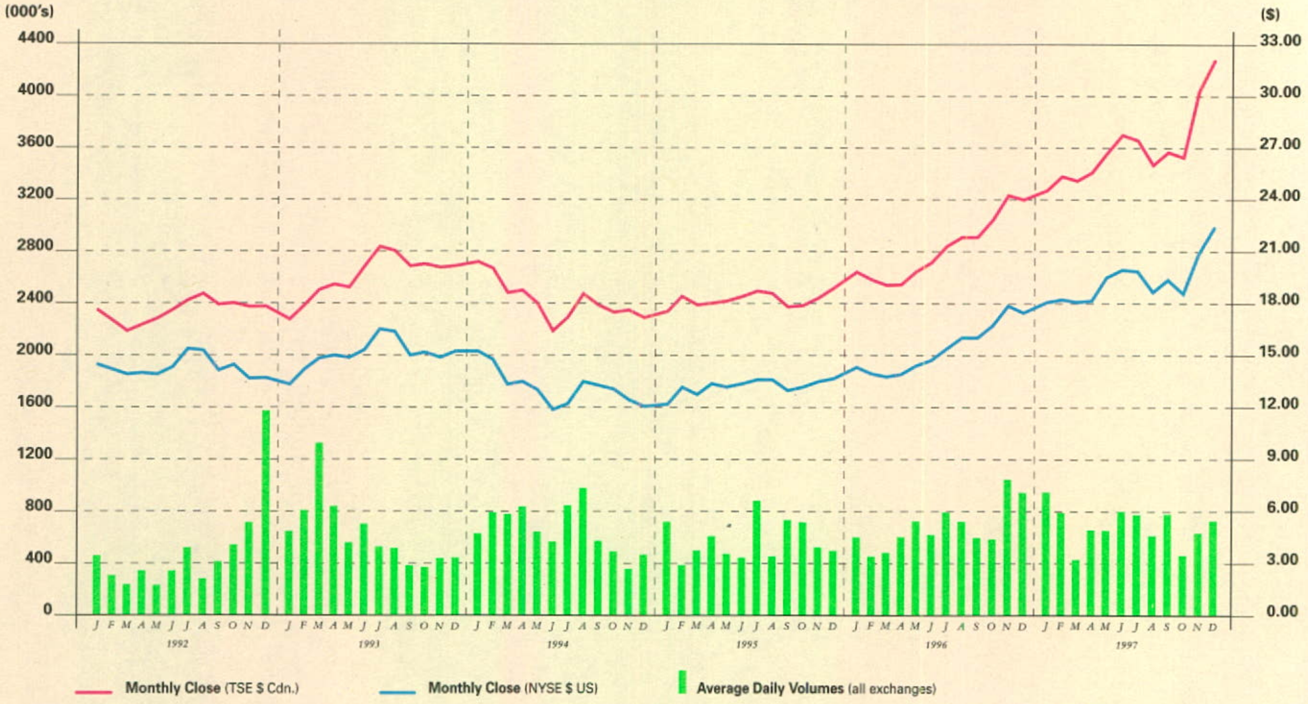
To access TransCanada's corporate and financial information, including quarterly reports and news releases, visit our Internet site at http://www.transcanada.com.

TRP Performance

Common Share Price Range

Toronto Stock Exchange	High	Low
Fiscal 1996	$24.50	$18.63
First Quarter 1997	$26.85	$22.90
Second Quarter 1997	$28.40	$24.10
Third Quarter 1997	$28.35	$25.75
Fourth Quarter 1997	$32.25	$25.60

New York Stock Exchange (US dollars)	High	Low
Fiscal 1996	$18.13	$13.63
First Quarter 1997	$19.63	$16.75
Second Quarter 1997	$20.38	$17.38
Third Quarter 1997	$20.63	$18.63
Fourth Quarter 1997	$22.56	$18.13



Additional statistical information can be obtained by contacting David Moneta, Investor Relations.

Call toll-free **1-800-361-6522** (Canada and U.S. Mainland)

Direct dial **(403) 267-8521**

Investor fax line **(403) 267-8538**

Metric Conversion Table

The conversion factors set out below provide only approximate conversions. To convert from Metric to Imperial, multiply by the factor indicated. To convert from Imperial to Metric, divide by the factor indicated.

Metric	Imperial	Factor
kilometres	miles	0.62
millimetres	inches	0.04
kilowatts	horsepower	1.34
gigajoules	million British thermal units	0.95
cubic metres*	cubic feet	35.3
cubic metres (liquid measure)	barrels	6.29
degrees Celsius	degrees Fahrenheit	multiply by 1.8, then add 32 degrees. To convert to Celsius subtract 32 degrees, then divide by 1.8

* The conversion is based on natural gas at a base pressure of 101.325 kilopascals and a base temperature of 15 degrees Celsius.

Design
Parallel Strategies Inc.

Production
TransCanada

Photography
Gerard Yunker, Kate Kunz, Paul Connor

Printing
Arthurs-Jones Inc.

This annual report is printed on acid free, recycled paper that contains a minimum of 20 per cent post-consumer waste.

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TransCanada International Business Development Ltd.
3400,
237 – Fourth Avenue S.W.
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Tel: (403) 213-3100

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3400,
237 – Fourth Avenue S.W.
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T2P 5A4
Tel: (403) 213-3100

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Brier Park Crescent N.W.
Medicine Hat, Alberta
T1A 7G1
Tel: (403) 527-1121

TransCanada Energy USA Inc.
Four Greenspoint Plaza
16945 Northchase Drive
Houston, Texas 77060
Tel: (281) 539-4500

TransCanada
TransCanada PipeLines Limited

TransCanada welcomes questions from shareholders and potential investors.

Please telephone David Moneta, Investor Relations, at **1-800-361-6522** (Canada and U.S. Mainland) or direct dial **(403) 267-8521.**

The investor fax line is **(403) 267-8538.**

Visit TransCanada's Internet site at: http://**www.transcanada.com**

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Torre TAECA Piso 8, Of. 83
El Rosal, Caracas, Venezuela
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150 Beach Road
#17-04 Gateway West
Singapore 189720
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Mexico
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Printed in Canada