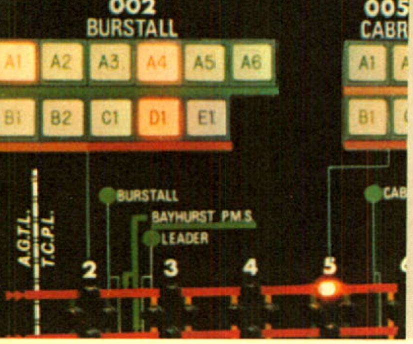
TransCanada PipeLines

Annual Report 1972

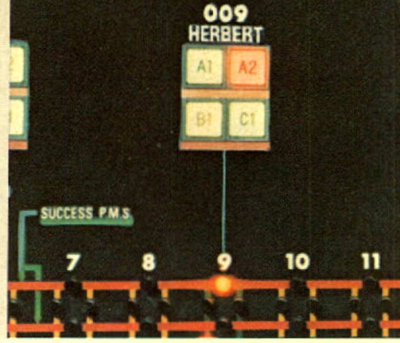


Directors

Directors and senior officers of TransCanada PipeLines are shown at left visiting construction near Orillia, Ont., in the summer of 1972.

COVER PICTURE
Edward Gaw, a gas controller, sits at the Gas Control Centre in the Toronto office of TransCanada PipeLines, where he regulates the transmission of almost three billion cubic feet of natural gas a day from the gas fields of Alberta to markets in Canada and the United States. An on line process control computer informs the gas controller of operating conditions at compressor stations along the pipeline on viewing screens at each end of the console.
Below the map of the TransCanada system is a schematic control panel of the entire pipeline system showing operating conditions at all compressor stations.
Sections of this control panel are reproduced on the upper corner of the pages throughout this Annual Report.

Highlights



DIRECTORS

R. W. CAMPBELL, Chairman and Chief Executive Officer, PanCanadian Petroleum Limited, Calgary.

JOHN H. COLEMAN, Deputy Chairman and Executive Vice-President, The Royal Bank of Canada, Toronto.

JAMES W. KERR, Chairman and Chief Executive Officer, TransCanada PipeLines Limited, Toronto.

BEVERLEY MATTHEWS, C.B.E., Q.C., Messrs. McCarthy & McCarthy, Toronto.

N. J. McKINNON, Chairman, Canadian Imperial Bank of Commerce, Toronto.

A. DEANE NESBITT, O.B.E., D.F.C., Chairman and Chief Executive Officer, Nesbitt Thomson and Company Limited, Montreal.

GORDON P. OSLER, Vice-Chairman, British Steel Corporation (Canada) Limited, Toronto.

H. C. PINDER, President, Saskatoon Trading Co. Ltd., Saskatoon.

SMILEY RABORN, Jr., President and Chief Executive Officer, CanDel Oil Ltd., Calgary.

FRANK A. SCHULTZ, Independent Oil Operator, Dallas.

IAN D. SINCLAIR, Q.C., Chairman and Chief Executive Officer, Canadian Pacific Limited, Montreal.

J. M. TAYLOR, President, PanCanadian Petroleum Limited, Calgary.

J. ROSS TOLMIE, Q.C., Messrs. Herridge, Tolmie, Gray, Coyne & Blair, Ottawa.

MARCEL VINCENT, Company Director, Montreal.

WILLIAM P. WILDER, Chairman and Chief Executive Officer, Canadian Arctic Gas Study Limited, Toronto.

GEORGE W. WOODS, President, TransCanada PipeLines Limited, Toronto.

PRINCIPAL OFFICERS

JAMES W. KERR, P.Eng., Chairman and Chief Executive Officer

GEORGE W. WOODS, F.C.A., President

JAMES M. CAMERON, Group Vice-President

WALTER HINDLE, P.Eng., Group Vice-President

NORMAN E. FROST, P.Geol., Vice-President, Sales

EDWARD D. LEAROYD, P.Eng., Vice-President, Engineering

GORDON A. LESLIE, P.Geol., Vice-President, Gas Supply

RICHARD D. WALKER, P.Eng., Vice-President, Operations

ROBERT G. WALL, C.A., Vice-President and Treasurer

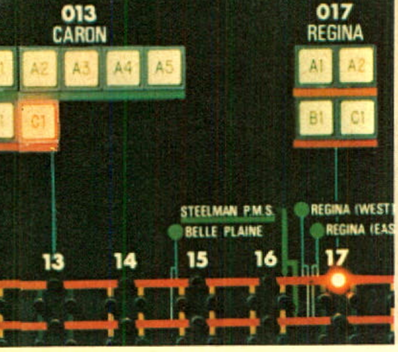
JOHN G. C. WEIR, Vice-President, Corporate Services

CARLTON C. WHITAKER, Vice-President, Engineering and Operations

DONALD M. JOHNSTON, Corporate Secretary

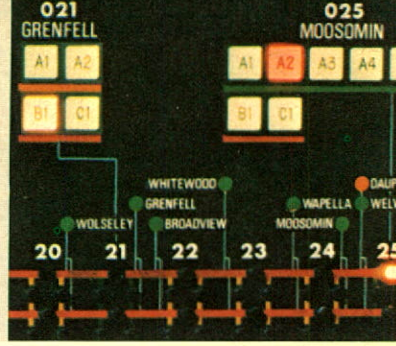
Index

Operations	**1972**	**1971**
Operating revenues	**$376,357,602**	$318,001,584
Operating income	**66,666,679**	56,998,814
Net income	**34,024,188**	22,249,258
Funds provided from operations	**59,559,351**	43,328,815
Dividends declared		
Preferred shares	**10,849,576**	5,620,548
Common shares	**8,693,344**	8,302,815
Net income per common share		
Basic	**2.77**	2.01
Fully diluted	**2.49**	1.91
Dividends declared, per common share	**1.00**	1.00
Gas Sales (millions of cubic feet)		
Annual volume	**932,420**	830,736
Maximum day, natural gas delivered for sale and transportation	**3,128**	2,803
Gas Transmission Plant (at December 31)		
Gross plant	**$1,260,386,600**	$993,692,021
Miles of pipeline (including loop line)	**4,878**	4,007
Number of compressor stations	**47**	47
Compressor horsepower (including mobile units)	**880,890**	857,990



TransCanada PipeLines' helicopter CF-TCH, which patrols sections of the pipeline through northern Ontario that are not easily accessible.

Report to shareholders



The results of operations for 1972 reflect significant improvement over any previous year, and new records for revenues and earnings were established.

1972 revenues were $376,358,000 compared with $318,002,000 in 1971. Net income before provision for dividends on preferred shares was $34,024,000, up from $22,249,000 in 1971. After provision for dividends on preferred shares net income was $23,670,000 compared with $16,651,000 for the previous year.

Net income per common share was $2.77 compared with $2.01 in 1971. The 1972 cash flow from operations was $6.47 against $5.21 per share in 1971.

There were several important and favorable factors in 1972 that influenced the improved results:

—the volume of gas sold reached a new high of 932.4 Bcf, an increase of 102 Bcf over 1971;

—a new peak day was established at 3.128 Bcf, up from 2.803 Bcf in 1971;

—the increased sales revenue in 1972 reflected not only the increased throughput of natural gas through the pipeline system, but also the 2.1¢ per Mcf price increase negotiated with Ontario customers effective January 1, 1972;

—the Company issued $365 million in new securities during 1972;

—the Canadian dollar remained strong during the year and reduced interest charges on the Company's United States borrowings.

Despite some operating problems in the first half of 1972, Great Lakes Gas Transmission Company's net income was U.S. $6,557,000 in 1972, an increase of U.S. $5,311,000 from 1971. TransCanada's net income does not include any income from the Company's 50% interest in the earnings of Great Lakes Gas Transmission Company.

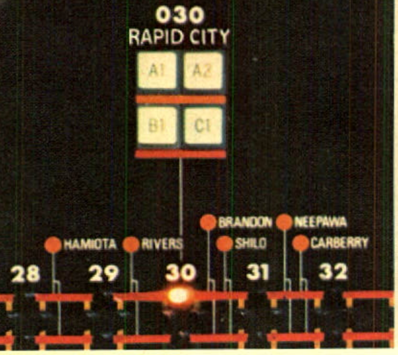
The 1972 portion of the Company's construction program, which commenced in the fall of 1971, consisting of the installation of 912 miles of large diameter pipe, 22,900 additional compressor horsepower, and miscellaneous facilities and plant modifications cost approximately $321,200,000. In 1973 the Company plans to construct 534 miles of new pipeline and plans to add compressor horsepower to the Company's system at an estimated total cost of $228,000,000. The approval of the National Energy Board of this 1973 expansion program was obtained late in 1972, and pipeline construction is now well under way and is on schedule.

As a result of this large expansion program, 1973 sales of natural gas will exceed one trillion cubic feet for the first time and are estimated at approximately 1,006 Bcf. It is conceivable that the Company's 1974 expansion will be sharply curtailed if the gas supply difficulties cannot be resolved.

The 1973 expansion of the TransCanada gas transmission system has been limited to construction of facilities necessary

James W. Kerr
Chairman and Chief Executive Officer

George W. Woods
President



to transport the volumes of natural gas covered by permit from Alberta. Unfortunately, action by the Government of Alberta on the Company's applications to remove additional volumes from the province has been delayed. Unless further permits are obtained from Alberta, natural gas deliveries to Canadian markets in 1974 and 1975 will be substantially below market requirements.

There are many factors which make it difficult to predict the 1973 operating results.

Phase 2 of the Company's rate case before the National Energy Board concluded in January, 1973. The purpose of Phase 2 is to determine tariffs which will generate to the Company the total revenue which the National Energy Board found to be just and reasonable in Phase 1 and at the same time make the appropriate price distinctions between the several types of services rendered to customers. The Company expects the new rates will be effective in the second quarter of 1973. It is important to recognize that the new rates are based on 1970 cost levels, adjusted for certain increased costs incurred in 1971. In the Phase 2 proceedings the Company has requested approval for tracking provisions which would allow certain additional increased costs, principally cost of gas, to be passed on to distributor customers.

The Company plans to file a new rate application early in 1973 to reflect the increase in costs since the 1970 test year.

The prices in contracts representing about 30% of the Company's gas supply contracts are subject to redetermination and it is difficult to forecast the extent of the increase in well head prices for natural gas.

The Government of Alberta has taken the position that gas is underpriced when compared to alternative fuels and is pressing for substantially higher well head prices. The Alberta Government is not expected to authorize the removal of additional gas from the province until higher prices are paid. Producers are reluctant to commit new reserves to the Company until satisfied that TransCanada can obtain the necessary permit from the Alberta Government.

The acute energy shortage in the U.S. has also exerted an upward pressure on gas prices. To obtain incremental supplies of gas U.S. gas pipeline companies are willing to pay very much higher prices than Canadian distributors can afford for basic gas supplies. No exports have been authorized to the U.S. since the National Energy Board's finding in 1970 that no surplus exists over and above Canadian requirements.

TransCanada is offering to purchase new gas reserves at significantly higher field prices than in the past. In addition, it has offered to transport for its Canadian customers any natural gas reserves they may elect to purchase on their own behalf.

TransCanada has continued its participation in Canadian Arctic Gas Study Limited, a consortium of many companies studying a pipeline to attach Mackenzie River Delta, and Alaska reserves, to eastern Canadian and to west coast and midwestern American markets. The Company has also undertaken project management of the Polar Gas Project, a second consortium of companies studying another pipeline to move reserves in the Arctic islands to market. Gas from these projects will be required to fulfill the anticipated energy requirements by the late 1970's or early 1980's.

As indicated the Great Lakes Gas Transmission Company 1972 income was U.S. $6,557,000. It was significant that in 1972 Great Lakes Gas Transmission Company sold U.S. $200,000,000 First Mortgage Bonds as part of its long-term financing. Great Lakes also completed a U.S. $22,000,000 construction program.

At the Annual and Special General Meeting of Shareholders held on April 18, 1972, the shareholders approved an application applying for Letters Patent under the Canada Corporations Act. This action converted the Company from a Special Act Company to a Letters Patent Company effective April 19, 1972.

During 1972 a decision was made to dispose of certain minor pipeline facilities which had been constructed to assist your Company's customers. A small line near Unity, Saskatchewan was sold to Many Islands Pipe Lines Limited, a subsidiary of Saskatchewan Power Corporation, and a line extending from TransCanada's main line to Russell, Manitoba was sold early in 1973 to Minell Pipeline Ltd., a subsidiary of Inter-City Gas Limited.

After careful studies, your Directors concluded that it would be in the best long-term interests of the shareholders to dispose of the shares held by the Company in its wholly-owned subsidiary, TransCanada Petroleums Limited (formerly TransCanada GasProducts Ltd.). Accordingly, a sale of the shares was arranged in early 1973 for $32,000,000.

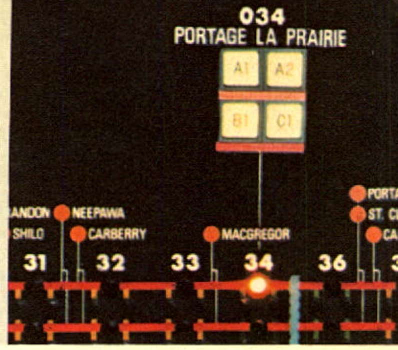
In December, 1972, the Company called for redemption its outstanding 5% Convertible Subordinated Income Debentures due 1989. Of the original issue, 98.7% was converted into common shares.

There were several changes in the membership of the Board of Directors and among the Company officers during 1972.

In April, Mr. W. P. Scott resigned, having approached the mandatory age of retirement from the Board. Mr. Scott brought to the Board great financial knowledge, wisdom, and business acumen. His fellow directors are proud to have been associated with him.

Mr. V. L. Horte, President and Director, resigned in August to accept a position as President of Canadian Arctic Gas Study Limited. This important new assignment is a challenging opportunity, and Mr. Horte will be continuing his contribution to the gas industry following his fifteen year association with TransCanada.

Mr. Marcel Vincent submitted his resignation from the Board of Directors following his retirement as Chairman and



Chief Executive Officer of Bell Canada. Mr. Vincent's wish to retire from active business life was accepted with great reluctance and regret by his fellow directors. His contribution, particularly in terms of advice in matters of utility regulations, was deeply appreciated.

Mr. W. P. Wilder, who was elected a Director in 1972, became Chairman of Canadian Arctic Gas Study Limited in August, 1972. Because of his new position, and to remove any possibility of a conflict of interest arising as Canadian Arctic Gas Study Limited enters a period of regulatory hearings, Mr. Wilder has submitted his resignation from TransCanada's Board of Directors to be effective in February, 1973. His fellow directors wish Mr. Wilder every success in his challenging new assignment.

Several important senior appointments were made during the third quarter of the year.

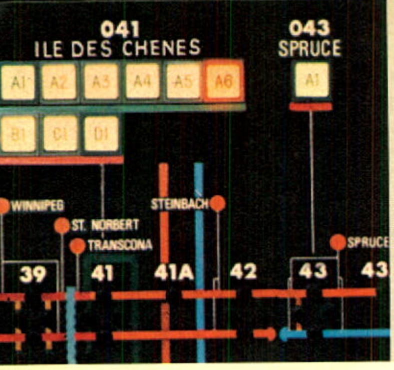
Mr. G. W. Woods, a Director and Group Vice-President of the Company, succeeded Mr. Horte as President. Mr. J. M. Cameron, Vice-President and General Counsel, was appointed a Group Vice-President. Mr. J. G. C. Weir was appointed Vice-President, Corporate Services. Mr. E. D. Learoyd was appointed Vice-President, Engineering and Mr. R. D. Walker was appointed Vice-President, Operations.

It is again a great privilege to express the sincere thanks to the employees of TransCanada for their efforts during the past year. Their skill, loyalty and dedicated efforts are largely responsible for the satisfactory operating results that are presented to you in this report. The Directors and Officers are very grateful for the fine performance of the men and women of TransCanada.

On behalf of the Board,

Chairman and Chief Executive Officer.
March 5, 1973.

Line-up crew preparing to weld pipe near Nipigon, Ont.



Financial

GENERAL COMMENTARY

1972 operating revenues increased 18% over 1971, and gas sales volumes were up 12%. The improvement in operating revenue is attributed primarily to the 2.1¢ per Mcf negotiated price increase that became effective January 1, 1972 on gas delivered to the Company's three principal customers in Ontario. In addition, the high utilization and good performance of the Northern Ontario Section contributed to the improvement in net income. The rate of return earned on rate base for 1972 was below 9% which the National Energy Board found would be fair and reasonable. Hearings on the Company's application to establish new gas sales rates concluded on January 25, 1973. New rates cannot become effective until a decision is rendered by the Board. Because of the increase in costs since the 1970 test year, on which requested rates will be set, the Company will apply for a further rate increase in 1973.

INCOME STATEMENT

Gas sales revenues for 1972 were $373,700,036 compared to $315,972,770 in 1971 as shown in the Consolidated Statements on page 12. Operating profit was $66,666,679, an increase of $9,667,865 over 1971.

Income before financial charges amounted to $79,940,960, up $18,477,021 over 1971. Net income for 1972 was $34,024,188 compared to $22,249,258 in 1971. Net income applicable to common shares in 1972, after deducting dividends on preferred shares, was $23,670,093 compared to $16,650,844 for 1971. Basic earnings per share were $2.77 and $2.01 for the years 1972 and 1971, respectively, calculated on the weighted daily average shares outstanding for each year.

Cost of gas sold in 1972 increased by $19,336,257 to $152,659,648, reflecting an increase in gas sales volume of 101.7 Bcf during the year at an average unit cost of 16.51¢ per Mcf for gas purchased in western Canada. Gathering charges for 1972 increased $5,718,463 to $44,042,707 due to higher volumes being delivered to the pipeline system at the Alberta-Saskatchewan border and increased costs associated with new facilities installed on the gathering system in Alberta. Also, 1972 reflects a full year's impact of an increase in rate of return payable to Alberta Gas Trunk Line which became effective September 1, 1971. The Alberta Gas Trunk Line rate of return has been increased from 8¾% to 9%, effective January 1, 1973.

Transmission by others for 1972 was $52,500,515 compared to $35,965,893 in 1971. This increase results primarily from higher rates being paid for volumes of gas delivered through the Great Lakes system in 1972 for sale in eastern Canada. The 1972 average unit rate for gas transported by Great Lakes was 16.53¢ per Mcf compared to 14.18¢ per Mcf in 1971.

Increased operation and maintenance expenses and depreciation expense in 1972 reflect a full year of costs of owning and operating additional pipeline facilities placed in service late in 1971 and costs associated with facilities constructed during 1972.

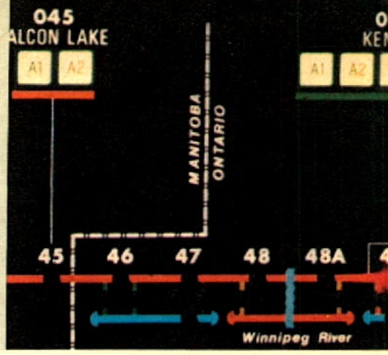
During 1972 the Company continued to use depreciation rates of 2% on pipeline, 3½% on compressor stations and other transmission plant and at various rates on general plant equipment. Depreciation is based on straightline rates determined on the physical and economic life of the assets.

The increase in allowance for funds used during construction results from the large construction program carried out during 1972 which was substantially placed in service late in 1972. The amount shown under Other Income – Other primarily represents interest earned on financing proceeds invested for short periods of time during 1972.

Interest on long-term debt was $43,970,188 for 1972 compared to $37,858,067 in 1971. The increase reflects the cost of carrying additional amounts of borrowed funds required to pay for the construction of facilities. The effective cost of debt at December 31, 1972 is 7.98%. Amortization of debt discount and expense includes a profit of $342,180 realized on the purchase of 1987 series Subordinated Debentures which are applied to meet normal sinking fund requirements. Also contributing to this credit is the lower foreign exchange rates applicable to the repayment of long-term debt in United States dollars. When issued, long-term debt is recorded in the accounts at the greater of par or its Canadian equivalent determined at the dates of sale of the various securities.

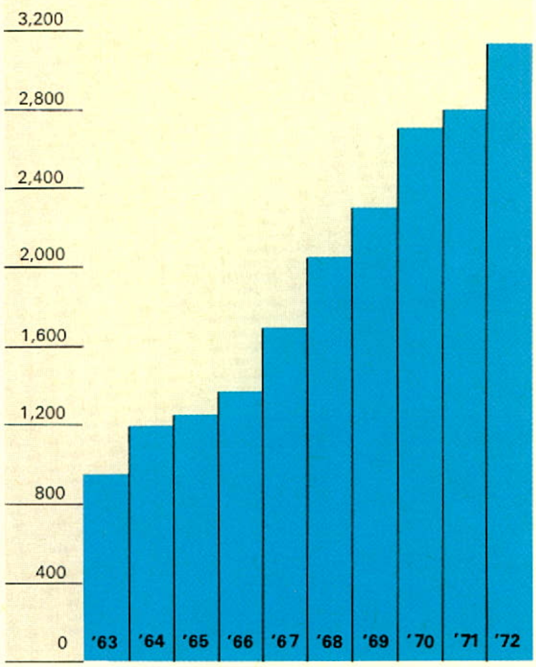
Funds generated from operations during 1972 increased to $59,559,351 or $6.47 per common share compared to $5.21 per share in 1971.

No income taxes have been payable by the Company to date. This results from claiming certain deductions for income tax purposes, principally depreciation, in excess of the amounts charged to income for accounting purposes, as allowed by the appropriate income tax regulations.



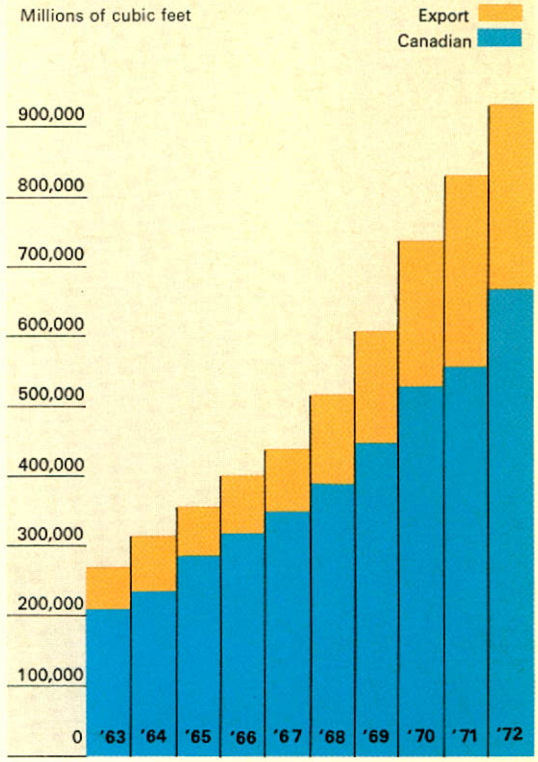
MAXIMUM DAY GAS DELIVERED FOR SALE AND TRANSPORTATION

Millions of cubic feet



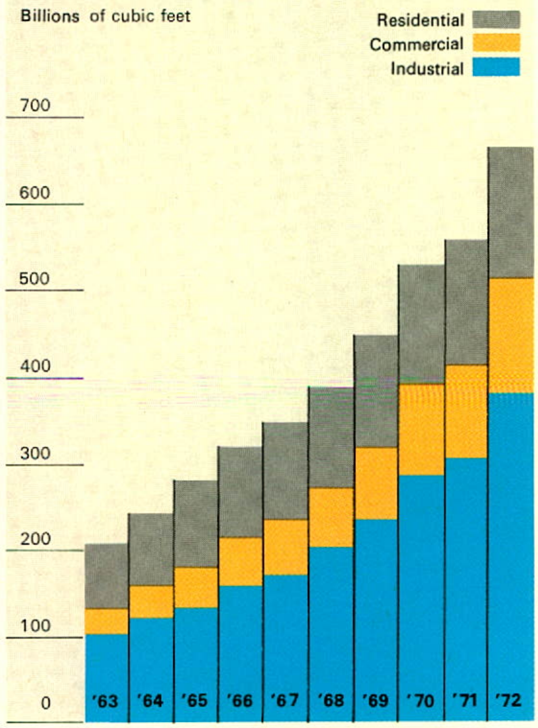
ANNUAL GAS SALES VOLUMES

Millions of cubic feet



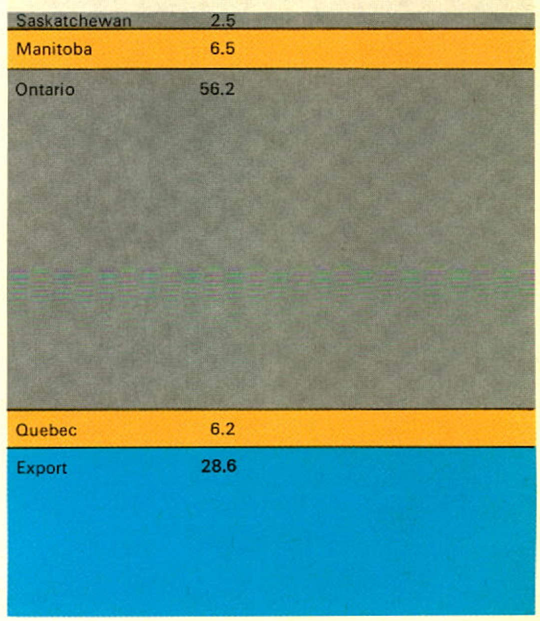
ANNUAL CANADIAN SALES BY CATEGORY

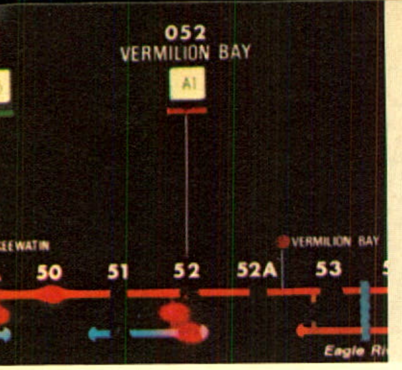
Billions of cubic feet



WHERE THE GAS WAS SOLD IN 1972

Percentage of volume sales





BALANCE SHEET

Assets

Investment in gas transmission plant totalled $1,260,386,600 at December 31, 1972. On January 31, 1973, the Company sold all of its shares in its wholly-owned subsidiary, Trans-Canada Petroleums Limited, which had interests in extraction plant and related facilities, and in oil and gas properties, for a cash consideration of $32,000,000, realizing a gain of approximately $12,000,000.

The total investment in common shares of Great Lakes Gas Transmission Company remained at U.S. $25,000,000. The Company has an unamortized balance of $5,370,682 of "additional costs of gas" which is being carried as a deferred charge. The nature of this item is fully explained in Note 2 to the Consolidated Financial Statements.

Liabilities

Letters patent dated April 19, 1972 were granted continuing the Company as a company under Part I of the Canada Corporations Act, increasing and varying its total authorized capital and effectively adding an additional 10,000,000 preferred shares to the authorized capital of the Company.

In 1972 the Company sold securities in Canada totalling $365,000,000 primarily to finance expansion of the pipeline system. During March, 1972 the Company sold $125,000,000 of $2.65 Cumulative Redeemable Convertible Second Preferred Shares Series A, in July $140,000,000 of 8¾% First Mortgage Pipe Line Bonds due 1992 and in October, $100,000,000 of 8⅞% Sinking Fund Debentures due 1992. On March 21, 1972, the Company redeemed the outstanding $5,000,000 issue of $3.50 Cumulative Redeemable Preferred Shares Special Series out of the proceeds of the sale of $2.65 Cumulative Redeemable Convertible Second Preferred Shares Series A.

At December 31, 1972 the Company had outstanding $7,000,000 in short-term promissory notes sold in the commercial paper market in Canada.

On November 29, 1972, your Board of Directors approved the call for redemption of the outstanding 5% Convertible Subordinated Income Debentures due 1989. Of the original issue of $25,088,800 sold in 1964, $24,750,750, or 98.7% was converted into common shares up to the close of business on January 10, 1973, the final date for conversion. All conversions are reflected in the 1972 accounts.

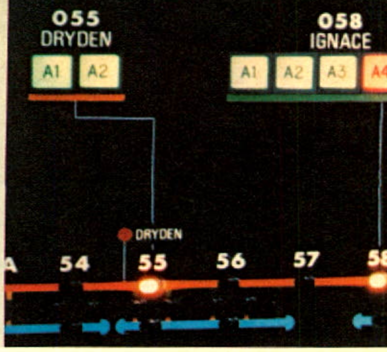
During 1972 the Company retired through normal sinking fund provisions, $24,542,000 principal amount of First Mortgage Pipe Line Bonds and $2,500,000 principal amount of Subordinated Debentures.

Advance payments received of $21,586,956 represent amounts received from others and have been used for advance payments on future gas supply. A full explanation of this transaction is contained in Note 3 to the Consolidated Financial Statements.

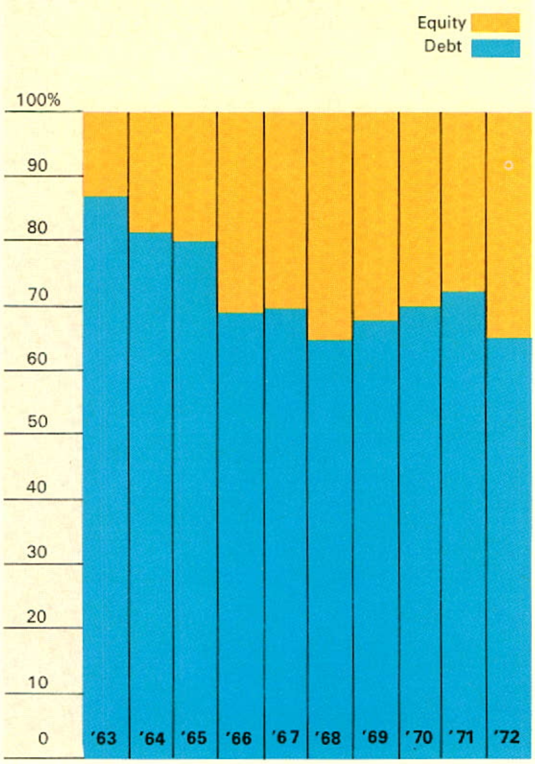
During 1972 Contributed Surplus was credited with $31,666,830, being the premium on common shares issued during 1972 and with $195,801 resulting from the purchase and cancellation of $2.80 Cumulative Redeemable First Preferred Shares as required by the purchase fund provisions attaching to these preferred shares. Costs of $1,150,489 associated with the change in incorporation, increase in authorized share capital and conversion of the 5% Convertible Subordinated Income Debentures due 1989 were charged to this account during 1972.

Retained earnings increased to $62,326,531 at December 31, 1972 after providing for dividends. Dividends totalling $2.80 per share were declared and paid during 1972 on the $2.80 Cumulative Redeemable First Preferred Shares (at the rate of 70¢ per quarter), $2.75 per share on the $2.75 Cumulative Redeemable Convertible First Preferred Shares Series A (at the rate of 68¾¢ per quarter) and $1.62 on the $2.65 Cumulative Redeemable Convertible Second Preferred Shares Series A, which were issued on March 21, 1972 (at the rate of 66¼¢ per quarter). Dividends of $1.34 per share were paid during 1972 on the $3.50 Cumulative Redeemable Preferred Shares Special Series which were redeemed on March 21, 1972. Four quarterly dividends of 25¢ per share were declared and paid on common shares.

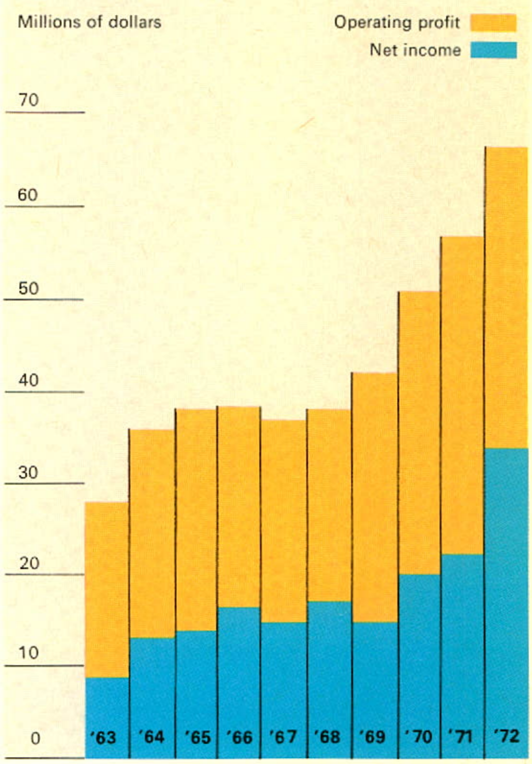
For capital gains tax purposes, shareholders may wish to note that the December 22, 1971 valuation day prices of the various capital stock issues of the Company were $36.25 for common shares, $42.25 for $2.80 preferred shares and $66.75 for $2.75 preferred shares.



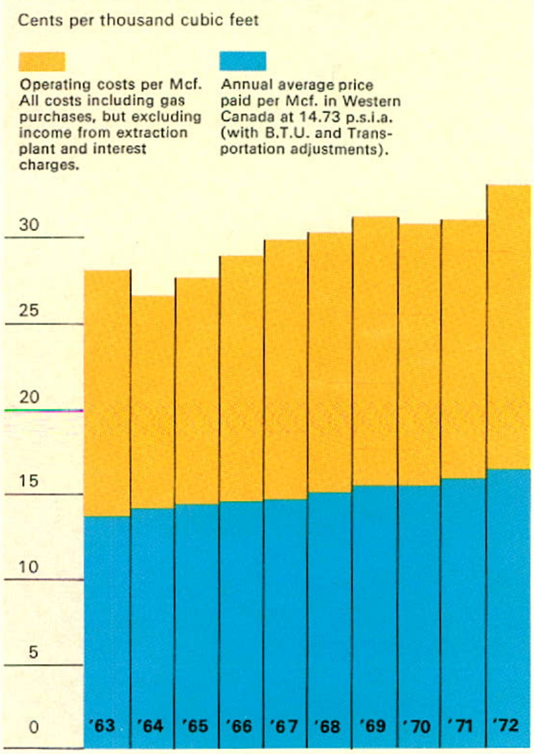
DEBT EQUITY RATIO-PERCENTAGE



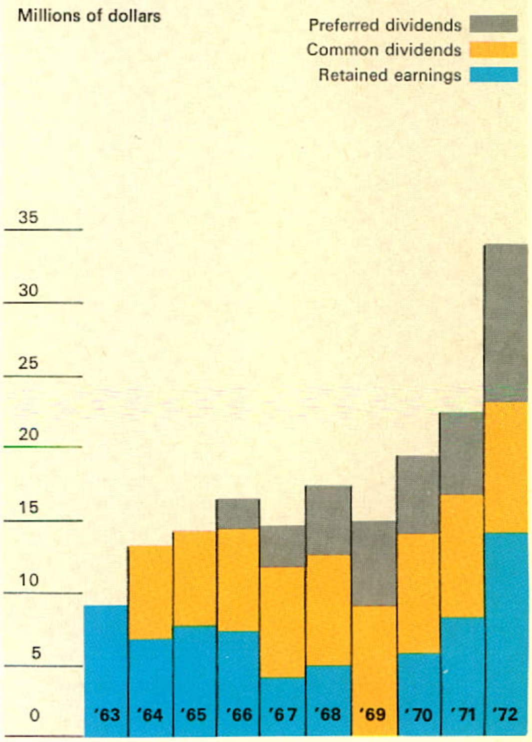
OPERATING PROFIT AND NET INCOME

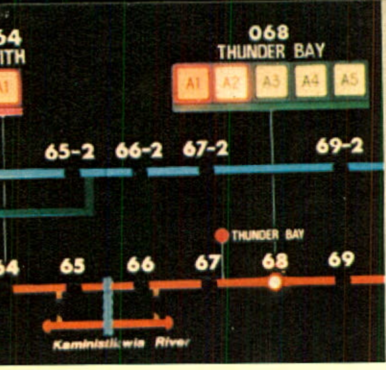


OPERATING COSTS AND COST OF GAS



DISTRIBUTION OF NET INCOME





Consolidated Balance Sheet

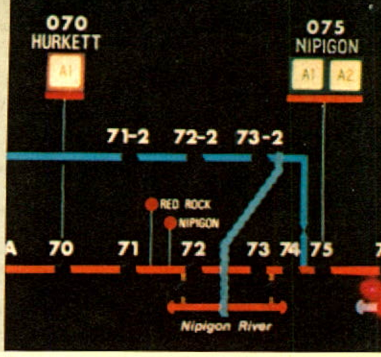
December 31, 1972 (with comparative figures at December 31, 1971)

ASSETS	1972	1971
Plant, Property and Equipment – at cost (Note 1)		
Gas transmission plant	$1,260,386,600	$993,692,021
Interest in extraction plant and related facilities	20,410,943	17,983,635
Oil and gas properties	13,574,771	14,276,891
	1,294,372,314	1,025,952,547
Less accumulated depreciation and depletion	185,520,473	163,398,857
	1,108,851,841	862,553,690
Investment in and Advances to Great Lakes Gas Transmission Company – at cost (Note 2)	27,343,393	28,243,393
Advance Payments on Future Gas Supply (Note 3)	21,798,789	22,238,683
Current Assets		
Cash	3,486,898	3,478,334
Deposits with trustees	1,948,641	2,025,100
Temporary cash investments	33,178,576	700,000
Accounts receivable	45,032,419	35,082,802
Materials and supplies – at cost	5,101,079	5,256,457
Line pack and gas stored underground – at cost	4,206,655	2,346,318
Products inventory – at lower of cost or realizable value	1,184,476	—
Prepayments and deposits	3,114,683	1,039,856
	97,253,427	49,928,867
Deferred Charges		
Unamortized debt discount and expense	15,285,231	12,525,807
Great Lakes project – additional costs of gas (Note 2)	5,370,682	6,127,025
Other	5,395,326	2,466,762
	26,051,239	21,119,594
	$1,281,298,689	$984,084,227

On behalf of the Board:

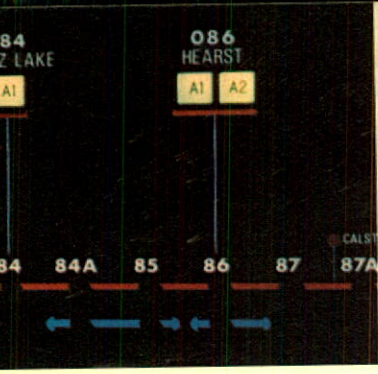
, Director

, Director



SHAREHOLDERS' EQUITY AND LIABILITIES	1972	1971
Shareholders' Equity		
Capital stock (Note 4)		
Preferred–Authorized – 1972 – 7,165,934 First Preferred Shares of a par value of $50.00 per share		
– 7,500,000 Second Preferred Shares of a par value of $50.00 per share		
–Issued and outstanding		
First Preferred Shares		
–$2.80 cumulative redeemable shares		
1972 – 908,230 shares	$ 45,411,500	
1971 – 930,785 shares		$ 46,539,250
–$2.75 cumulative redeemable convertible shares – Series A		
1972 – 887,704 shares	44,385,200	
1971 – 1,016,992 shares		50,849,600
–$3.50 cumulative redeemable shares Special Series		
1971 – 100,000 shares		5,000,000
Second Preferred Shares		
–$2.65 cumulative redeemable convertible shares – Series A		
1972 – 2,500,000 shares	125,000,000	
Common–Authorized – 25,000,000 shares of a par value of $1.00 per share		
–Issued and outstanding		
1972 – 9,204,317 shares	9,204,317	
1971 – 8,312,377 shares		8,312,377
	224,001,017	110,701,227
Contributed surplus – per Consolidated Statement	120,135,892	89,423,750
Retained earnings – per Consolidated Statement	62,326,531	47,845,263
Shareholders' equity	406,463,440	247,970,240
Deferred Credit (Note 5)	—	1,094,822
Advance Payments Received (Note 3)	21,586,956	21,955,050
Long-Term Debt (Per Schedule and Note 6)	730,957,512	545,206,957
Notes Payable (Note 7)	7,000,000	78,800,000
Current Liabilities		
Long-term debt due within one year	27,773,265	26,848,025
Notes payable	1,264,469	1,881,826
Accounts payable	63,930,134	46,457,054
Interest accrued	17,130,482	10,353,927
Dividends payable	5,192,431	3,516,326
	115,290,781	89,057,158
	$1,281,298,689	$984,084,227

See accompanying notes to consolidated financial statements.



Consolidated Statements

Year ended December 31, 1972 (with comparative figures for 1971)

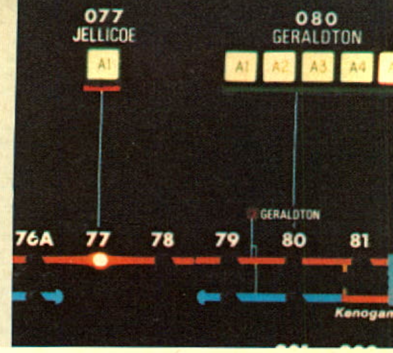
INCOME	1972	1971
Operating Revenues		
Gas sales	$373,700,036	$315,972,770
Gas transportation	1,391,199	1,086,795
Other	1,266,367	942,019
	376,357,602	318,001,584
Operating Expenses		
Cost of gas sold	152,659,648	133,323,391
Gathering charges	44,042,707	38,324,244
Transmission by others	52,500,515	35,965,893
Operation and maintenance	33,283,773	28,952,846
Amortization of Deferred Credit (Note 5)	(1,094,822)	(1,094,817)
Depreciation (Note 1)	23,359,379	21,200,387
Taxes – provincial and municipal	4,939,723	4,330,826
	309,690,923	261,002,770
Operating income	66,666,679	56,998,814
Other Income		
Allowance for funds used during construction	12,046,719	3,938,091
Other – net (Note 13)	1,227,562	527,034
	13,274,281	4,465,125
Income before financial charges	79,940,960	61,463,939
Financial Charges		
Interest on long-term debt	43,970,188	37,858,067
Amortization of debt discount and expense less gain on purchase of Subordinated Debentures	(363,346)	(326,942)
Other interest expense	2,309,930	1,683,556
	45,916,772	39,214,681
Net Income for the Year (Note 9)	$ 34,024,188	$ 22,249,258
Net income applicable to common shares		
Net income for the year (above)	$ 34,024,188	$ 22,249,258
Less provision for dividends on preferred shares	10,354,095	5,598,414
Net income applicable to common shares	$ 23,670,093	$ 16,650,844
Net income per common share (Note 10)		
Basic	$2.77	$2.01
Fully diluted	$2.49	$1.91

RETAINED EARNINGS	1972	1971
Balance at beginning of year as previously reported	$ 49,204,211	$ 40,878,316
Adjustment of prior year's income (Note 1)	1,358,948	1,358,948
Restated balance at beginning of year	47,845,263	39,519,368
Net income for year	34,024,188	22,249,258
	81,869,451	61,768,626
Dividends declared		
Preferred	10,849,576	5,620,548
Common	8,693,344	8,302,815
	19,542,920	13,923,363
Balance at end of year (Notes 8 and 9)	$ 62,326,531	$ 47,845,263

See accompanying notes to consolidated financial statements.

TransCanada PipeLines Limited

and Subsidiary Companies



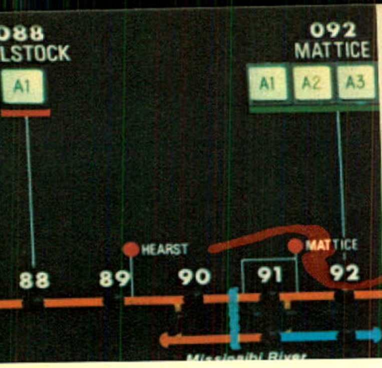
CONTRIBUTED SURPLUS

	1972	1971
Balance at beginning of year	$ 89,423,750	$ 88,703,889
Premium on common shares issued (Note 4)	31,666,830	557,703
Credit resulting on purchase and cancellation of $2.80 Cumulative Redeemable First Preferred Shares (Note 4)	195,801	170,902
	121,286,381	89,432,494
Capital stock expense written off	1,150,489	8,744
Balance at end of year	$120,135,892	$ 89,423,750

SOURCE AND APPLICATION OF FUNDS

	1972	1971
Funds were derived as follows		
Current operations		
Net income	$ 34,024,188	$ 22,249,258
Add back non-cash items		
Depreciation	23,359,379	21,200,387
Other (net)	2,175,784	(120,830)
	59,559,351	43,328,815
Sale of plant, property and equipment	5,364,176	318,381
Increase in notes payable	—	72,578,688
Issue of securities – net proceeds		
8¾% First Mortgage Pipe Line Bonds	137,503,776	—
Sinking Fund Debentures		
9% Series C due 1991	—	48,765,018
8⅞% Series D due 1992	97,867,348	—
$3.50 Cumulative Redeemable Preferred Shares Special Series	—	4,991,256
$2.65 Cumulative Redeemable Convertible Second Preferred Shares Series A	120,961,422	—
Common shares	1,488,938	228,961
Bank loans – TransCanada Petroleums Limited	—	18,000,000
	$422,745,011	$188,211,119

	1972	1971
Funds were applied as follows		
Additions to		
Gas transmission plant	$271,346,330	$143,020,485
Extraction plant and related facilities	2,427,308	13,422,606
Oil and gas properties	2,427,268	2,626,831
Reduction in advance payments received	368,094	—
Investment in Great Lakes Gas Transmission Company	—	2,558,594
Long-term debt retirement	26,974,493	27,416,105
Reduction in notes payable	71,800,000	—
Purchase and cancellation of $2.80 Cumulative Redeemable First Preferred Shares	931,949	940,848
Redemption of $3.50 Cumulative Redeemable Preferred Shares Special Series	5,000,000	—
Dividends		
Preferred	10,849,576	5,620,548
Common	8,693,344	8,302,815
Other	(89,528)	1,381,706
Increase (decrease) in working capital exclusive of changes in current portion of long-term debt	22,016,177	(17,079,419)
	$422,745,011	$188,211,119



Schedule of Long-Term Debt

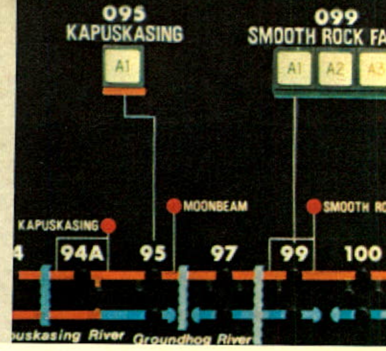
December 31, 1972 (with comparative figures for 1971)

		1972	1971
TransCanada PipeLines Limited			
First Mortgage Pipe Line Bonds			
Due 1978			
5¼% U.S. Series – U.S. $34,826,000		$ 34,826,000	$ 40,634,000
5½% Canadian Series		7,928,000	9,252,000
6¼% U.S. Series – U.S. $3,070,000		3,070,000	3,526,000
6¾% Canadian Series		1,701,000	1,979,000
Due 1983			
5¾% U.S. Series – U.S. $56,646,232		61,006,221	66,637,229
6¼% Canadian Series		27,271,295	29,788,951
Due 1985			
5⅛% U.S. Series – U.S. $28,854,768		31,123,223	33,548,384
Due 1987			
6⅝% U.S. Series – U.S. $103,200,000		111,210,718	118,452,346
Due 1992			
8¾% Canadian Series A		100,000,000	—
8¾% Canadian Series B		40,000,000	—
Sinking Fund Debentures			
Due 1990 (Sinking funds commence in 1976)			
10% Series A		50,000,000	50,000,000
9¾% Series B		60,000,000	60,000,000
Due 1991 (Sinking fund commences in 1977)			
9% Series C		50,000,000	50,000,000
Due 1992 (Sinking fund commences in 1978)			
8⅞% Series D		100,000,000	—
Subordinated Debentures due 1987			
5.60% U.S. Series – U.S. $18,055,300	$ 18,055,300		
5.85% Canadian Series	46,944,700		
	65,000,000		
Less – Company owned	551,000	64,449,000	66,221,400
Convertible Subordinated Income Debentures			
5% due 1989 (redeemed January 11, 1973 – Note 4)		338,050	25,070,500
TransCanada Petroleums Limited (formerly TransCanada GasProducts Ltd.)			
Notes payable		17,000,000	18,000,000
		759,923,507	573,109,810
Less – Long-term debt due within one year			
Canadian $27,773,265		28,965,995	
Canadian $26,848,025			27,902,853
		$730,957,512	$545,206,957

See Note 6 to consolidated financial statements.

Notes

Notes to Consolidated Financial Statements, December 31, 1972



1. PLANT, PROPERTY AND EQUIPMENT

The TransCanada natural gas transmission system extends from the Alberta-Saskatchewan border across the Provinces of Saskatchewan, Manitoba and Ontario and through a portion of the Province of Quebec.

The Company has provided for depreciation at the rate of 2% on pipeline, 3½% on compressor stations and other transmission plant and at various rates on general plant equipment. Depreciation is based on straightline rates determined on the physical and economic life of the assets.

Oil and gas properties are being depleted on the unit-of-production method based on total estimated recoverable reserves of oil and gas.

In its decision on the Company's rate application, the National Energy Board reduced the Company's rate base by $1,358,948 representing costs incurred with respect to its 1969 upgrading program and directed the Company in 1972 to adjust its accounts by a reduction of Gas transmission plant by $1,358,948 with a corresponding charge to Retained earnings as a prior period adjustment. The Board in its decision, however, permitted the Company to include the $1,358,948 in its cost of service over a ten year period.

During 1973, the Company estimates that $230,000,000 may be expended principally for pipeline construction.

2. GREAT LAKES GAS TRANSMISSION COMPANY

Great Lakes Gas Transmission Company (Great Lakes) is a United States corporation owned equally by the Company and American Natural Gas Company (American Natural). Great Lakes owns and operates a 36 inch pipeline system extending from Emerson, Manitoba, through Minnesota, Wisconsin and Michigan to Sarnia, Ontario.

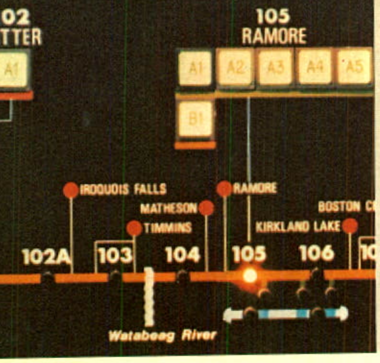
The Company and American Natural have each invested U.S. $25,000,000 in common shares of Great Lakes to December 31, 1972.

A summary of Great Lakes' balance sheet as of December 31, 1972 and statement of income and retained earnings for the year then ended, with comparative figures for 1971 follows:

BALANCE SHEET
(United States dollars)

ASSETS	1972	1971
Property, plant and equipment	$332,282,188	$307,350,049
Less: Accumulated depreciation	31,584,126	22,051,492
	300,698,062	285,298,557
Current assets	23,474,768	43,426,055
Deferred charges	3,908,855	7,111,011
	$328,081,685	$335,835,623

LIABILITIES	1972	1971
Common stock	$ 50,000,000	$ 50,000,000
Retained earnings	6,676,576	119,880
First mortgage pipe line bonds	200,000,000	—
Notes payable to banks	41,700,000	260,000,000
Current liabilities	28,664,731	22,809,829
Deferred credits	1,040,378	2,905,914
	$328,081,685	$335,835,623



Notes

Notes to Consolidated Financial Statements, December 31, 1972

STATEMENT OF INCOME AND RETAINED EARNINGS
(United States dollars)

	1972	1971
Operating revenues	$ 87,224,561	$ 70,593,593
Operating expenses	48,382,254	41,733,375
Depreciation	9,313,437	8,394,668
Federal and State income taxes	5,635,000	1,302,000
Amortization of investment tax credit	(1,277,000)	—
Interest expense (net)	18,614,174	17,918,257
	80,667,865	69,348,300
Net income	6,556,696	1,245,293
Retained earnings (deficit) at beginning of year	119,880	(1,125,413)
Retained earnings at end of year	$ 6,676,576	$ 119,880

No portion of the retained earnings of Great Lakes has been recorded in the Company's accounts. The Federal Power Commission staff in their initial cost audit of Great Lakes have proposed several adjustments to the accounts of Great Lakes which would, amongst other things, result in a substantial reduction in retained earnings. Great Lakes does not agree with the proposed adjustments which will be the subject of further hearings before the Federal Power Commission and if necessary, judicial review. It is not possible to predict the ultimate outcome of this matter and, consequently, the auditors of Great Lakes have expressed a qualified opinion on the December 31, 1972 financial statements of Great Lakes.

Prior to the commencement of deliveries of natural gas from western Canada through the Great Lakes system, the Company entered into short-term contracts for the purchase of natural gas from suppliers in the United States to assist in the orderly development of markets in eastern Canada. The difference between the actual cost of this short-term supply and the ultimate selling price of gas delivered through the Great Lakes system to the storage fields near Dawn, Ontario, is considered to be one of the costs of bringing the Great Lakes system into operation. The difference is carried on the Company's balance sheet under the caption "Great Lakes project – additional costs of gas" and, commencing in 1968, is being amortized to operating expenses over a period presently estimated to be 10 years at the rate of ¼¢ per Mcf of throughput through the Great Lakes system.

3. ADVANCE PAYMENTS

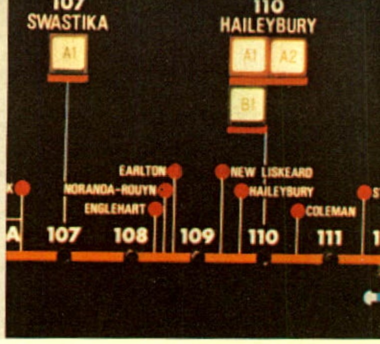
Advance payments have been received from several United States gas companies in return for the right to purchase up to 190 million cubic feet per day of the next gas which the Company has available for export on a long-term basis. The funds were used to make advance payments on certain gas reserves. The liability in respect of advance payments received will be extinguished either by payments relative to the delivery of specified gas to TransCanada or, under certain circumstances, may become repayable in cash with interest. In the latter case such repayments would not commence prior to April 1, 1973. If interest should become payable on the applicable advance payments received the liability at December 31, 1972 would be approximately $3,100,000. The Company will propose to the National Energy Board that, if any interest is incurred, the appropriate accounting would be to amortize such cost over the future gas deliveries as received.

4. CAPITAL STOCK

Letters patent dated April 19, 1972 were granted continuing the Company as a company under the Canada Corporations Act and increasing its authorized capital by the creation of a further 5,000,000 Cumulative Redeemable First Preferred Shares and 5,000,000 Cumulative Redeemable Second Preferred Shares both of the par value of $50.00 per share.

With respect to the First Preferred Shares, the Company is required to maintain purchase funds which, subject to certain conditions, are replenished annually on each February 1 to an amount equal to 2% of the par value of the shares outstanding on the previous December 31. These funds are applied, subject to certain conditions, to purchase those preferred shares for cancellation to the extent, if any, that such shares are available at a price not exceeding $50.00 per share plus costs of purchase. The difference between the par value and the cost of the preferred shares is credited to Contributed Surplus. To date, preferred shares have been purchased and cancelled only on account of the $2.80 Cumulative Redeemable First Preferred Shares. A purchase fund for the $2.65 Cumulative Redeemable Convertible Second Preferred Shares, which were issued March 21, 1972, is required to be created on February 1, 1975.

On November 29, 1972 the Company called for redemption the 5% Convertible Subordinated Income Debentures due 1989 which were convertible into common shares at $41.00 per share to December 1, 1972 and at $40.55 thereafter. All conversions prior to the redemption date, January 11, 1973, have been reflected in the accompanying financial statements as though they had taken place in 1972.



Changes in the Company's issued capital during 1972 were as follows:

	Common Shares*		First Preferred Shares						Second Preferred Shares	
			$2.80 Series		$2.75 Series		$3.50 Series		$2.65 Series	
	Number	Par Value	Number	Par Value	Number	Par Value	Number	Par Value	Number	Par Value
January 1, 1972	8,312,377	$8,312,377	930,785	$46,539,250	1,016,992	$50,849,600	100,000	$5,000,000		
Issued for cash										
$2.65 Issue									2,500,000	$125,000,000
Incentive Stock Options	46,300	46,300								
Warrants	33	33								
Conversions										
On account of 1989 Debentures	605,507	605,507								
On account of Preferred Shares	240,100	240,100			(129,288)	(6,464,400)				
Redemption of Preferred Shares							(100,000)	(5,000,000)		
Purchase of Preferred Shares for cancellation			(22,555)	(1,127,750)						
December 31, 1972	9,204,317	$9,204,317	908,230	$45,411,500	887,704	$44,385,200	—	$ —	2,500,000	$125,000,000

*Upon issue of common shares $1.00 is credited to Capital Stock with any excess of proceeds over par value allocated to Contributed Surplus.

The preferred shares outstanding have redeemable and/or convertible features which are summarized as follows:

		Convertible to Common Shares			
		Conversion to Common Shares			Common Shares Reserved
	Redeemable	Price*	Rate	Expiry Date	
$2.80 Cumulative Redeemable First Preferred Shares	$52.00 per share to May 1, 1973 and reducing in progressive steps to $50.50 per share after May 1, 1977	—	—	—	—
Share Purchase Warrants issued in association with these shares		$41.00	1	April 30, 1976	499,918
$2.75 Cumulative Redeemable Convertible First Preferred Shares	$52.50 per share commencing May 1, 1973 and reducing in progressive steps to $50.50 per share after April 30, 1984	26.92	$1\frac{6}{7}$	May 1, 1978	1,648,601
$2.65 Cumulative Redeemable Convertible Second Preferred Shares	$52.50 per share commencing January 1, 1976 and reducing in progressive steps to $50.50 per share after April 30, 1988	45.45	$1\frac{1}{10}$	May 1, 1982	2,750,000

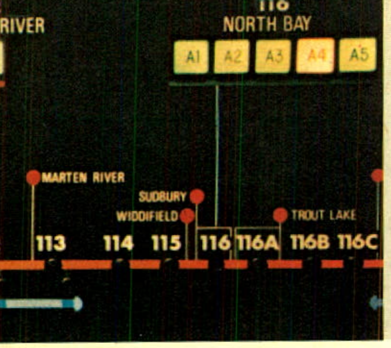
*Price is subject to adjustment under certain conditions to protect against dilution. Pursuant to the anti-dilution provisions of the Indenture under which the Share Purchase Warrants were issued the purchase price was adjusted from $41.00 to $40.49 from January 6, 1973.

At December 31, 1972, 115,101 common shares were reserved for the exercise of options granted or which may be granted under the terms and conditions of the Company's Incentive Stock Option Plan. There were outstanding options on 80,700 shares (68,100 held by officers) under this plan at prices varying from $25.72 to $45.25, the last of which expires in 1982.

5. DEFERRED CREDIT

On May 29, 1963, the Company purchased from the Northern Ontario Pipe Line Crown Corporation the Northern Ontario Section which the Company had formerly leased and operated as an integral part of its system. This Section, which consisted of 676 miles of pipeline and five compressor stations, is located between the Manitoba-Ontario border and Kapuskasing, Ontario.

In accordance with the procedures established under the Uniform Classification of Accounts for Gas Pipe Line Companies, the National Energy Board approved a method of accounting for the purchase whereby the amount of $10,948,175 was to be credited to "Deferred Credit" and amortized in ten equal annual instalments commencing in 1963. Accordingly, $1,094,817 has been credited to "Amortization of Deferred Credit" in each of the years 1963 to 1971 with the remainder being amortized in the year 1972.



Notes

Notes to Consolidated Financial Statements, December 31, 1972

6. LONG-TERM DEBT

Based on the rate of exchange prevailing at December 31, 1972, $222,520,884 would be required to discharge the long-term portion of the U.S. currency debt outstanding at December 31, 1972. Such long-term debt is repayable over a period extending to 1987 and is included in the schedule in the amount of $237,037,171.

Under the provisions of the Indenture relating to the Sinking Fund Debentures the Company will apply, subject to certain conditions, an amount equal to 2% of the aggregate principal amount, separately for each issue, for the purchase in the market of Series A, Series B, Series C and Series D debentures for each 12 month period ending; with respect to the Series A and Series B debentures, June 20 and September 20 in the years 1972 to 1975 inclusive; with respect to the Series C debentures, March 20 in the years 1973 to 1976 inclusive; and with respect to the Series D debentures, September 20 in the years 1973 to 1977 inclusive, respectively. These debentures are to be purchased to the extent that such debentures are available at prices, including costs of purchase, that do not exceed the principal amount plus accrued interest to the date of purchase. The purchased debentures are to be delivered to the Trustee for cancellation. No purchases have been required to be made in 1972.

Part of the 1973 sinking fund requirements for the Subordinated Debentures due 1987 will be provided for by debentures owned by the Company and consequently that portion of sinking fund payments so provided for is not included in the liability for long-term debt due within one year.

Maximum long-term debt retirements approximate $29,676,000 for the year 1974, $33,593,000 for the year 1975, $42,180,000 for the year 1976 and $43,846,000 for the year 1977.

The Deed of Trust and Mortgage securing the First Mortgage Pipe Line Bonds provides for increased sinking fund payments if a Certificate of Gas Supply indicates exhaustion of gas supply earlier than specified dates. As required, the Company's gas purchase, sales and gas products sales contracts and the contracts with The Alberta Gas Trunk Line Company Limited and Great Lakes Gas Transmission Company are mortgaged and pledged under the Deed of Trust and Mortgage.

7. NOTES PAYABLE

Notes payable are due within one year and these are not included in Current Liabilities as it is intended that they will be replaced by long-term financing.

8. RESTRICTION ON DIVIDENDS

Declaration of dividends on both preferred and common shares is restricted under the provisions of several of the instruments relating to the issue of securities. At December 31, 1972, under the most restrictive provisions, $62,300,000 was available for payment of dividends on first preferred shares, $52,400,000 was available for payment of dividends on second preferred shares, and $29,100,000 was available for payment of dividends on common shares.

9. INCOME TAXES

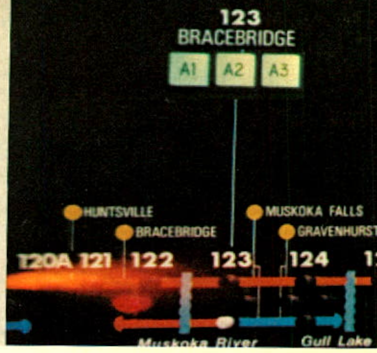
As allowed by the appropriate regulations, the Company has followed the practices and principles of claiming certain deductions for income tax purposes, principally depreciation, in excess of the amounts charged to income for accounting purposes. As a result no income taxes have been payable to date. If the appropriate tax regulations had not permitted such deductions, income taxes would have been payable in the amount of $11,700,000 for the year 1971, $16,375,000 for the year 1972 and to an accumulated amount of $95,275,000 at December 31, 1972.

The Company has represented to the National Energy Board that it proposes to follow the practices and principles of recording only income taxes currently payable in both its accounting and rate design and has been instructed that no change should be made in these procedures without the approval of the National Energy Board. In its recent decision the National Energy Board has accepted these practices and principles for current rate design.

Since there is a reasonable expectation that all income taxes payable by the Company in future years will be included in the Company's allowed cost of service and will be recoverable from customers at that time, the Company has followed the taxes payable basis of accounting.

10. NET INCOME PER COMMON SHARE

The net income per common share is calculated using the weighted daily average number of common shares outstanding during the respective fiscal years. The calculation of net income per common share on a fully diluted basis assumes conversion of all securities or exercise of all rights which have a dilutive effect on earnings per share.



11. REMUNERATION OF DIRECTORS AND OFFICERS

The aggregate direct remuneration paid by the Company to fourteen directors, amounted to \$83,750. There were three directors, one of whom resigned during the year, who were officers of the Company. None of these officers received remuneration as directors. The aggregate direct remuneration paid to eighteen officers amounted to \$711,442.

12. TRANSLATION OF FOREIGN CURRENCY

All current assets and current liabilities in foreign currency are translated to the Canadian equivalent at December 31, 1972. The investment in Great Lakes Gas Transmission Company is stated at its Canadian equivalent determined at the dates of investment. Long-term debt due after one year is stated at the greater of par or its Canadian equivalent determined at the dates of sale of the respective issues.

13. PRINCIPLES OF CONSOLIDATION

The consolidated statements include, in addition to the accounts of the Company, the accounts of its subsidiaries, all of which are wholly-owned. The operations of the subsidiary companies are relatively minor in comparison to the transmission operations of the Company and have therefore been included in the consolidated statement of income under the caption "Other Income – Other".

14. SUBSEQUENT EVENT

The Company sold for \$32,000,000 on January 31, 1973 all of the issued shares of its wholly-owned subsidiary, TransCanada Petroleums Limited. The net assets of TransCanada Petroleums Limited amounted to \$20,061,042 at December 31, 1972.

Auditors' report

PEAT, MARWICK, MITCHELL & CO.
CHARTERED ACCOUNTANTS
Commerce Court West
P.O. Box 31, Commerce Court Postal Station
Toronto, Ontario

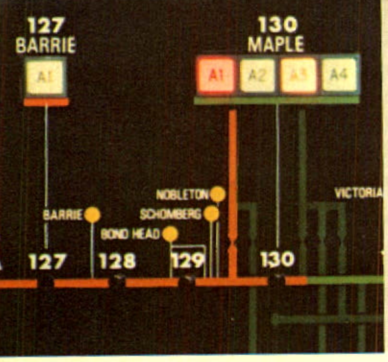
AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the consolidated balance sheet of TransCanada PipeLines Limited and its subsidiary companies as of December 31, 1972 and the consolidated statements of income, retained earnings, contributed surplus and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Company and its subsidiary companies at December 31, 1972 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Ontario
February 6, 1973

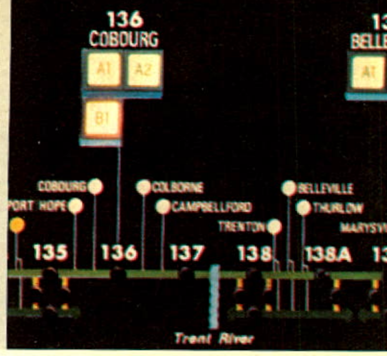
Peat, Marwick, Mitchell & Co.
Chartered Accountants



Ten year review

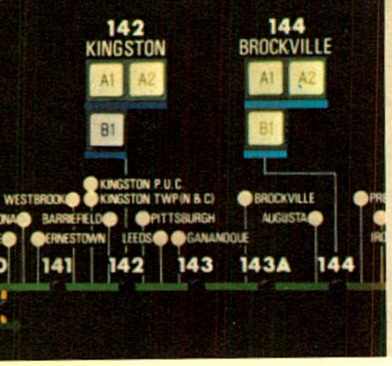
Installing pipeline across Gull Lake in Muskoka, Ontario during 1972 construction program.

Income (in thousands of dollars)
Operating Revenues
Gas sales
Gas transportation
Other
Operating Expenses
Cost of gas sold
Gathering charges
Transmission by others
Operation and maintenance
Northern Ontario Section of main line
Depreciation
Taxes–provincial and municipal
Operating income
Other Income
Income before financial charges
Financial charges (net)
Net income
Provision for dividends on preferred shares
Net income applicable to common shares
Net income per average common share – Basic
– Fully diluted
Dividends declared, per common share
Dividend payout ratio, common shares
Return on common equity–year end
Cash flow from current operations
–per common share
Balance sheet (in thousands of dollars)
Plant, property and equipment–gross (including interest in extraction plant and related facilities and oil and gas properties)
– net
Annual additions
Long-term debt
Shareholders' equity – total
– common
– per common share
Statistics
Miles of pipeline–including loopline
Compressor horsepower
Gas sales volume MMcf – annual
– maximum day, gas delivered for sale and transportation
Number of employees—average
Common shares outstanding – year end
– average
Shareholders, December 31

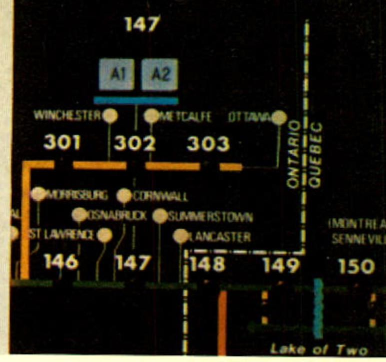


1972	1971	1970	1969	1968	1967	1966	1965	1964	1963
$ 373,700	315,973	279,881	231,403	194,713	167,259	153,431	136,782	119,612	102,523
1,391	1,087	1,074	1,002	946	863	700	191	—	—
1,267	942	531	215	131	116	117	116	113	106
376,358	318,002	281,486	232,620	195,790	168,238	154,248	137,089	119,725	102,629
152,659	133,324	116,671	101,628	95,481	78,880	67,539	54,074	45,009	35,912
44,043	38,324	30,102	20,264	17,243	15,802	15,348	14,476	12,266	11,169
52,501	35,966	33,286	24,063	4,416	337	—	—	—	—
33,284	28,953	27,693	24,893	22,341	19,419	17,061	15,613	12,872	10,230
(1,095)	(1,095)	(1,095)	(1,095)	(1,095)	(1,095)	(1,095)	(1,095)	(1,095)	5,611
23,359	21,200	19,365	18,026	15,818	14,974	14,282	13,575	12,365	9,438
4,940	4,331	4,387	3,987	3,238	2,745	2,447	2,289	2,191	1,991
309,691	261,003	230,409	191,766	157,442	131,062	115,582	98,932	83,608	74,351
66,667	56,999	51,077	40,854	38,348	37,176	38,666	38,157	36,117	28,278
13,274	4,465	3,203	2,416	3,044	861	1,551	759	1,261	1,366
79,941	61,464	54,280	43,270	41,392	38,037	40,217	38,916	37,378	29,644
45,917	39,215	34,191	29,763	24,118	23,178	23,716	24,746	24,135	20,716
34,024	22,249	20,089	13,507	17,274	14,859	16,501	14,170	13,243	8,928
10,354	5,598	5,516	5,595	4,648	2,800	1,750	—	—	—
$ 23,670	16,651	14,573	7,912	12,626	12,059	14,751	14,170	13,243	8,928
$ 2.77	2.01	1.76	.96	1.53	1.47	1.86	1.87	1.99	1.52
$ 2.49	1.91	1.71	.96	1.53	1.47	1.84	1.83	1.79	1.50
$ 1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	—
% 36.10	49.75	56.82	104.17	65.36	68.49	55.87	53.48	56.82	—
% 12.35	11.44	10.68	6.10	9.77	9.61	12.14	13.72	13.87	14.68
$ 59,559	43,329	40,199	33,436	32,771	29,950	30,780	27,881	25,870	18,469
$ 6.47	5.21	4.85	4.04	3.97	3.64	3.74	3.67	3.43	3.15
$1,294,372	1,025,952	868,788	804,124	731,455	648,851	617,578	587,644	562,329	512,682
1,108,852	862,554	725,541	677,605	620,025	553,051	536,250	520,074	507,840	470,177
276,201	159,070	67,883	76,600	83,300	31,800	30,700	26,000	51,000	184,000
730,958	545,207	506,389	386,542	350,026	365,424	359,237	391,819	365,779	376,812
406,463	247,970	235,364	229,943	230,762	175,539	171,504	103,263	95,453	60,832
191,667	145,581	136,515	129,790	129,262	125,539	121,504	103,263	95,453	60,832
20.82	17.51	16.46	15.66	15.65	15.25	14.77	13.60	12.67	10.38
4,878	4,007	3,797	3,638	3,425	3,107	3,073	2,882	2,753	2,604
880,890	857,990	854,825	753,660	710,560	643,360	574,160	545,060	523,510	363,810
932,420	830,736	737,922	605,040	515,959	438,994	401,037	358,286	316,718	271,090
3,128	2,803	2,696	2,298	2,045	1,694	1,356	1,249	1,196	941
1,374	1,335	1,237	1,209	1,121	1,014	954	918	872	805
9,204,317	8,312,377	8,291,528	8,285,717	8,258,776	8,232,749	8,225,499	7,594,735	7,534,529	5,861,383
8,543,808	8,301,404	8,286,770	8,275,656	8,237,822	8,228,166	7,919,632	7,561,743	6,666,651	5,861,383
26,537	27,552	29,420	30,160	32,586	35,472	35,241	33,829	30,107	32,009

Shareholders desiring further information on TransCanada PipeLines may obtain a copy of the booklet *'Operating and Statistical Information 1963-72'* by writing directly to R. G. Wall, Vice-President and Treasurer, TransCanada PipeLines, P.O. Box 54, Commerce Court West, Toronto, Ontario M5L 1C2.



Engineering and Operations



At upper left: Drilling shot holes for blasting through rock for a new pipeline ditch near Gravenhurst, Ont.
Lower left to right: Bending 42 inch diameter pipe during construction on the prairies, welding during winter construction, and hydrostatic testing of a new pipe section in northern Ontario.

1972 CONSTRUCTION

In 1972, for the first time, your Company conducted field construction operations during the entire year.

In eastern Manitoba and northern Ontario, where 652 miles of 36 inch diameter second pipeline were added, new construction and testing techniques made possible the completion of pipelines through muskeg areas during the winter months. In the prairie regions of Saskatchewan and Manitoba, where 227 miles of 42 inch diameter fourth pipeline were added during the year, construction took place during the early summer. The balance of 36 inch diameter construction in northern Ontario also was completed during the summer and fall months. In the late fall 33 miles of 24 inch diameter second pipeline were completed between Toronto and Montreal.

1973 CONSTRUCTION PROGRAM

During 1972, the Company was forced to cut back on its projected 1973 construction program to conform to the daily volumes of natural gas which the Company has been authorized to remove from Alberta. Regulatory approvals have been delayed by the Alberta Government pending a review and implementation of a provincial natural gas policy. As revised, the program will consist of 149 miles of 42 inch diameter fourth pipeline in Saskatchewan and Manitoba, 348 miles of 36 inch pipeline east of Winnipeg in Manitoba and in northern Ontario, and a further 37 miles of 24 inch pipeline between Toronto and Montreal. Additional horsepower will also be added to the system. Preliminary clearing and grading for the 1973 program was commenced in late 1972, and welding and pipelaying operations commenced in January, 1973.

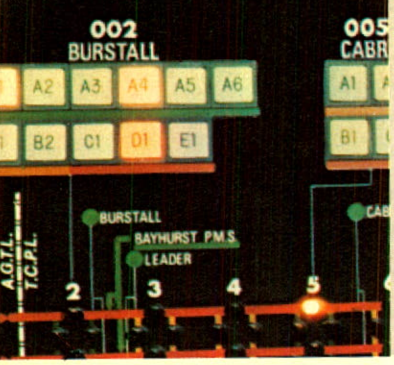
INTERNATIONAL PIPELINE ENGINEERING LIMITED

During 1972, TransCanada PipeLines and its wholly-owned subsidiary, International Pipeline Engineering Limited (IPEL) successfully completed all its obligations under contracts carried over from 1971.

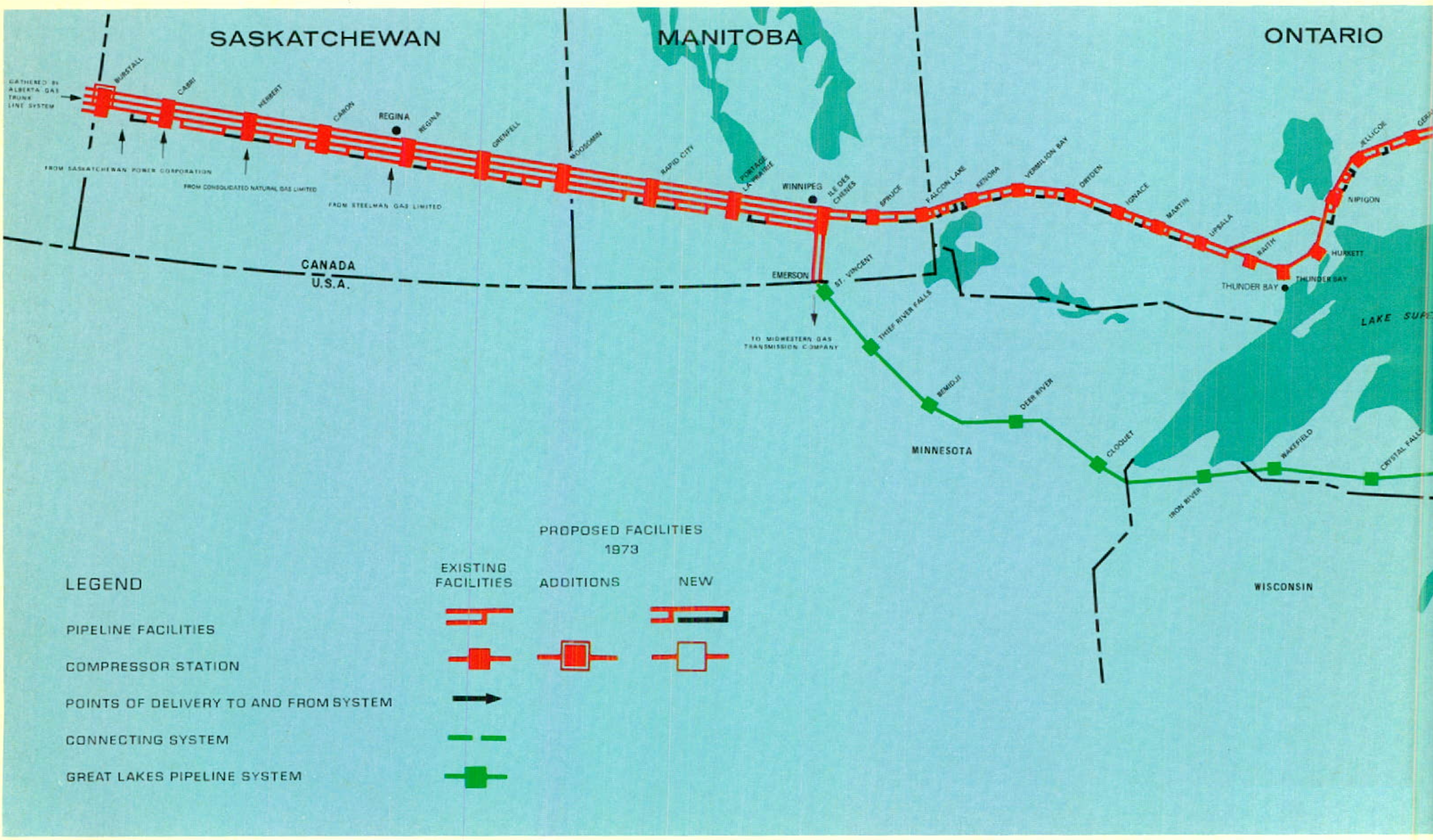
IPEL's operations were curtailed during 1972 due to the Company's very large expansion program which required the effort of all the Company's employees on a full time basis.

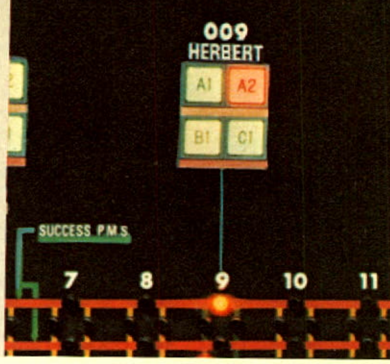
RESEARCH AND DEVELOPMENT

The Company continued research into new methods of parallel control of reciprocating and centrifugal compressors in 1972 including the further development of computer programs to enable the testing of control systems prior to installation on the pipeline system. More than 160 miles of pipeline in the Company's system were successfully surveyed in place by Company developed electronic fault detection instruments in their first field application. The application of these devices to other fields is being studied, and further development programs are under study.

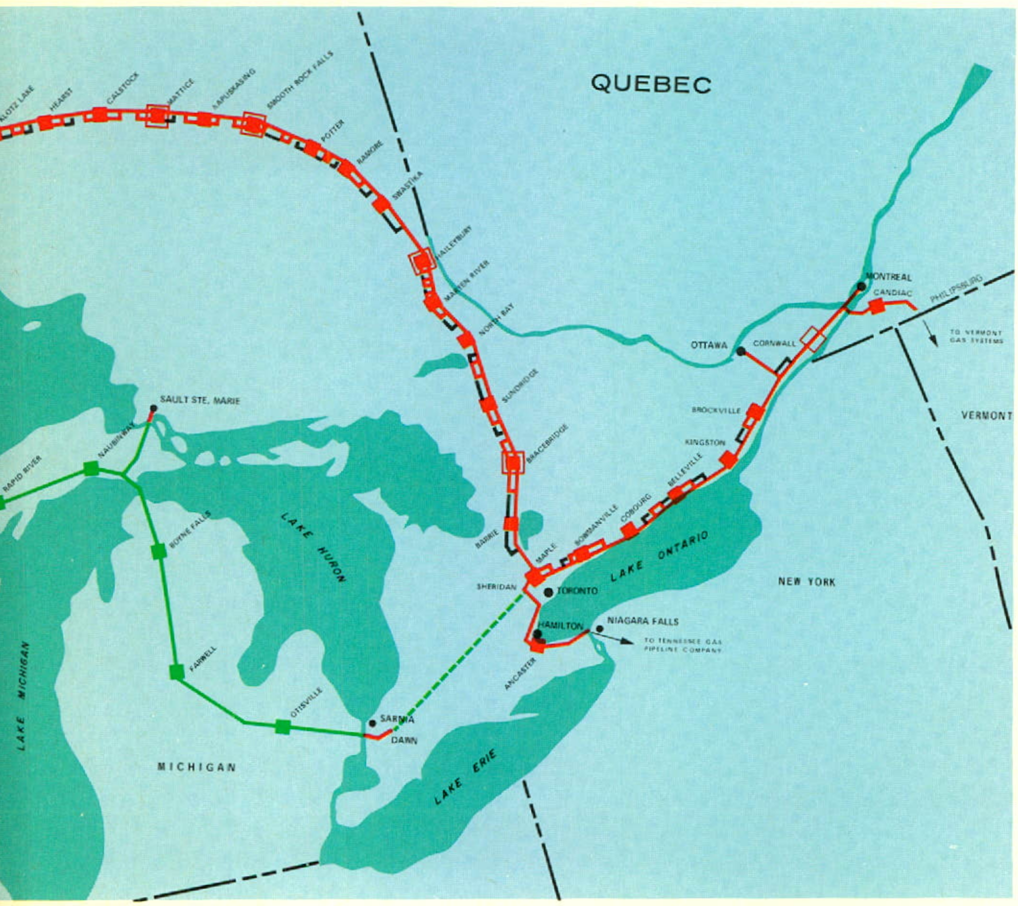


TransCanada PipeLines and connecting systems

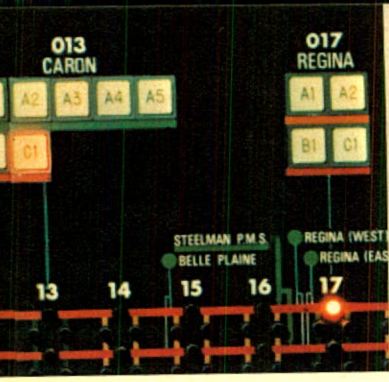




From left to right: 24 inch diameter pipe being laid on a hill during looping near Trenton, Ont.; ditching machine at work in Saskatchewan; bottom: welders at work through the rock country of northern Ontario.



Station No.	Location	Compressor horsepower Additions 1972	Total Dec. 31, 1972
	Saskatchewan		
2	Burstall	7,400	66,200
5	Cabri	—	41,770
9	Herbert	—	41,770
13	Caron	—	41,600
17	Regina	—	41,770
21	Grenfell	—	41,900
25	Moosomin	—	44,600
	Manitoba		
30	Rapid City	—	41,900
34	Portage la Prairie	—	41,900
41	Ile des Chênes	—	52,600
43	Spruce	—	12,100
45	Falcon Lake	—	12,000
	Ontario		
49	Kenora	—	15,200
52	Vermilion Bay	—	12,100
55	Dryden	—	12,000
58	Ignace	—	15,200
60	Martin	—	12,100
62	Upsala	—	12,000
64	Raith	—	12,100
68	Thunder Bay	—	12,500
70	Hurkett	—	12,100
75	Nipigon	—	12,400
77	Jellicoe	—	12,100
80	Geraldton	—	12,500
84	Klotz Lake	—	12,100
86	Hearst	—	12,000
88	Calstock	—	12,100
92	Mattice	—	10,000
95	Kapuskasing	—	10,600
99	Smooth Rock Falls	—	9,900
102	Potter	—	12,100
105	Ramore	—	13,165
107	Swastika	—	10,600
110	Haileybury	12,500	20,200
112	Marten River	—	10,600
116	North Bay	—	10,400
119	Sundridge	—	10,600
123	Bracebridge	—	9,900
127	Barrie	—	10,600
130	Maple	—	7,900
134	Bowmanville	—	6,000
136	Cobourg	—	9,000
139	Belleville	—	6,000
142	Kingston	3,000	9,000
144	Brockville	—	6,000
209	Ancaster	—	3,165
	Quebec		
802	Candiac	—	550
Mobile Compressor Units		—	26,000
Total		22,900	880,890



Gas supply

GAS SUPPLY

During 1972 the Company was successful in purchasing substantial quantities of additional gas reserves. However, these reserves were acquired at significantly higher prices. The most significant increase in new gas reserves was 1.5 trillion cubic feet (Tcf) purchased by the Company from Consolidated Natural Gas Limited. As of December 31, 1972, the Company has under long-term gas purchase contracts proven gas reserves of 29.5 Tcf. This is an increase of 2.5 Tcf during the year 1972, including appreciation of gas reserves previously contracted.

After deducting cumulative production of 6.8 Tcf, the remaining reserves are 22.7 Tcf.

The Energy Resources Conservation Board's recommendation to the Alberta Government, made in December 1971, for the authorization of Permit No. TC 71-11 has not yet been approved by the Lieutenant Governor In Council. This would involve .410 Tcf of additional gas reserves.

In June, 1972, the Company applied to the Energy Resources Conservation Board of Alberta to amend its permit by extending the expiry date to October 31, 1995 and to authorize the Company to remove from the province a maximum daily quantity of 3.555 billion cubic feet, an annual volume of 1.165 Tcf and a total volume of 25.36 Tcf. The hearing of this application was held in October, 1972 and the Board's decision is still pending. All volumes in this section are at a 14.65 p.s.i.a. pressure base.

At the direction of the Alberta Government the Energy Resources Conservation Board held a hearing in the early part of 1972 to examine the field pricing of natural gas in Alberta and its suitability in the Alberta public interest. As a result of the hearings the Board issued a report of its findings. Perhaps the most significant finding of the report was that the field price of natural gas in Alberta was underpriced at the well head by a minimum of 10 cents per thousand cubic feet. In November, 1972, the Government of Alberta announced new natural gas policies which adopted the Board's findings and clearly indicated that the field price of Alberta natural gas must be increased substantially.

It must be recognized that, if the markets served by the pipeline are to continue to expand, higher prices must be paid for gas supplies and in particular for new gas in order to provide the necessary incentives to the producing industry to explore and develop the additional gas supplies required.

In the latter part of 1972 price redetermination negotiations, pursuant to the gas purchase contracts, were commenced with the producers in connection with approximately thirty percent of the Company's existing gas supplies. Although the Company would prefer to establish new prices by negotiations with producers it may be necessary to arbitrate prices under some of the contracts.

In the near term, the major portion of the additional gas supplies required to serve the expanding market requirements of the Company are expected to be derived from the deep basinal and foothills areas of the central region of the western Canada sedimentary basin. Beyond this period, the source of new gas supplies, in increasing amounts, is anticipated to be from the Mackenzie Delta Region of the basin and other frontier regions of Canada. It is therefore encouraging to observe the accelerating exploration and development activity in the frontier regions.

CANADIAN ARCTIC GAS STUDY LIMITED

In June, 1972, the Northwest Project Study Group in which the Company had been a participant merged with Gas Arctic, another group engaged in similar studies, to form a new enlarged study group now known as Canadian Arctic Gas Study Limited. With new additions, the combined group has expanded to include a total of 25 firms.

To date the participants in Canadian Arctic Gas Study have spent in the order of $30 million on economic, engineering and environmental feasibility studies which were commenced in 1967. These studies, which include the most extensive ever carried on in Canada by private industry, indicate that a natural gas pipeline can be built and operated in the Arctic in harmony with the natural environment.

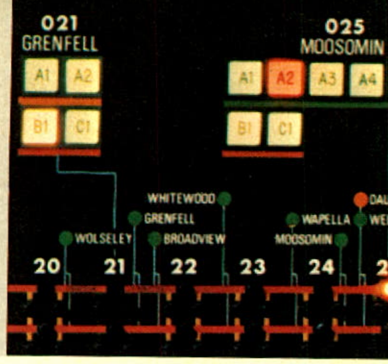
It is anticipated that Canadian Arctic Gas Study Limited will file an application for leave to construct a 48 inch diameter natural gas pipeline which will be capable, when fully powered, of delivering more than four billion cubic feet of natural gas per day. The proposed sources of gas supply for the Canadian Arctic Gas project will be United States reserves in the North slope of Alaska and Canadian reserves in the Mackenzie River Delta. The pipeline would carry gas for both Canadian and United States markets. The area which would be occupied by the northern pipeline is about 40 square miles out of a total of 1.5 million square miles.

POLAR GAS PROJECT

As a result of negotiations carried out in 1972, TransCanada joined in early 1973 with Canadian Pacific Investments Limited, Panarctic Oils Ltd., and Tenneco Oil & Minerals, Ltd. to form a group for the conduct of research, investigations and planning for a project to build a natural gas pipeline from the Canadian Arctic islands. The project, to be known as the Polar Gas Project will be managed by TransCanada PipeLines.

The research, planning, and engineering commenced with the preliminary route reconnaissance survey conducted last year under the direction of Panarctic. At that time, two routes were surveyed, one on the west side of Hudson Bay and the other on the east side of Hudson Bay.

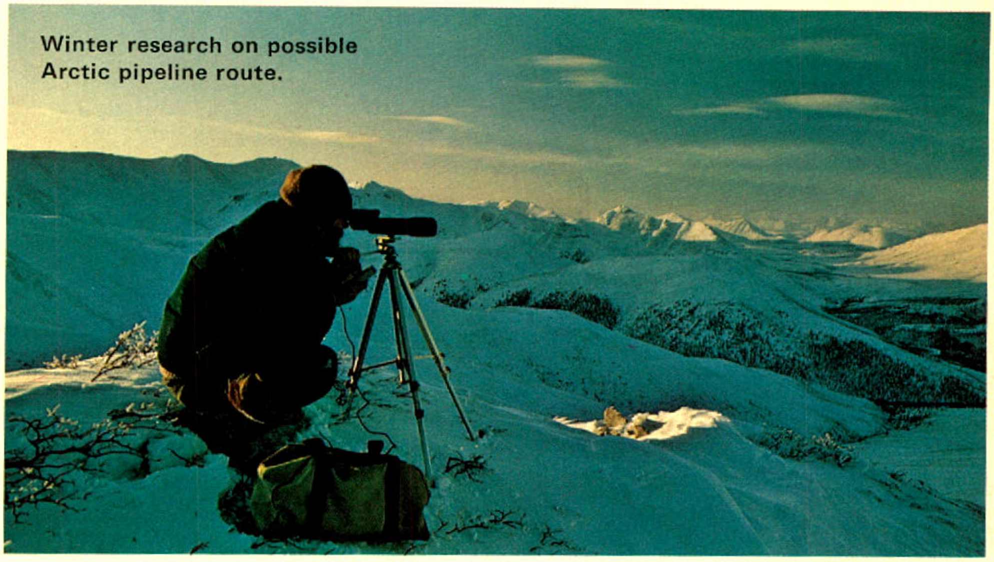
The participants in the Polar Gas



Project have budgeted substantial funds for 1973 for more studies and surveys of these two routes and for studies of the underwater crossings required to gather the gas from the various Arctic islands to the Boothia Peninsula on the Canadian mainland.

The 1973 work schedule involves extensive environmental and ecological studies, and engineering work programs including ice investigations, aerial photography, on-the-ground surveys, soil sampling, permafrost evaluation, mapping, and marine surveys of Arctic islands water crossings.

Gas supplies for the Polar Gas Project will be based on gas discoveries made on Melville Island, King Christian Island, and Ellef Ringnes Island.

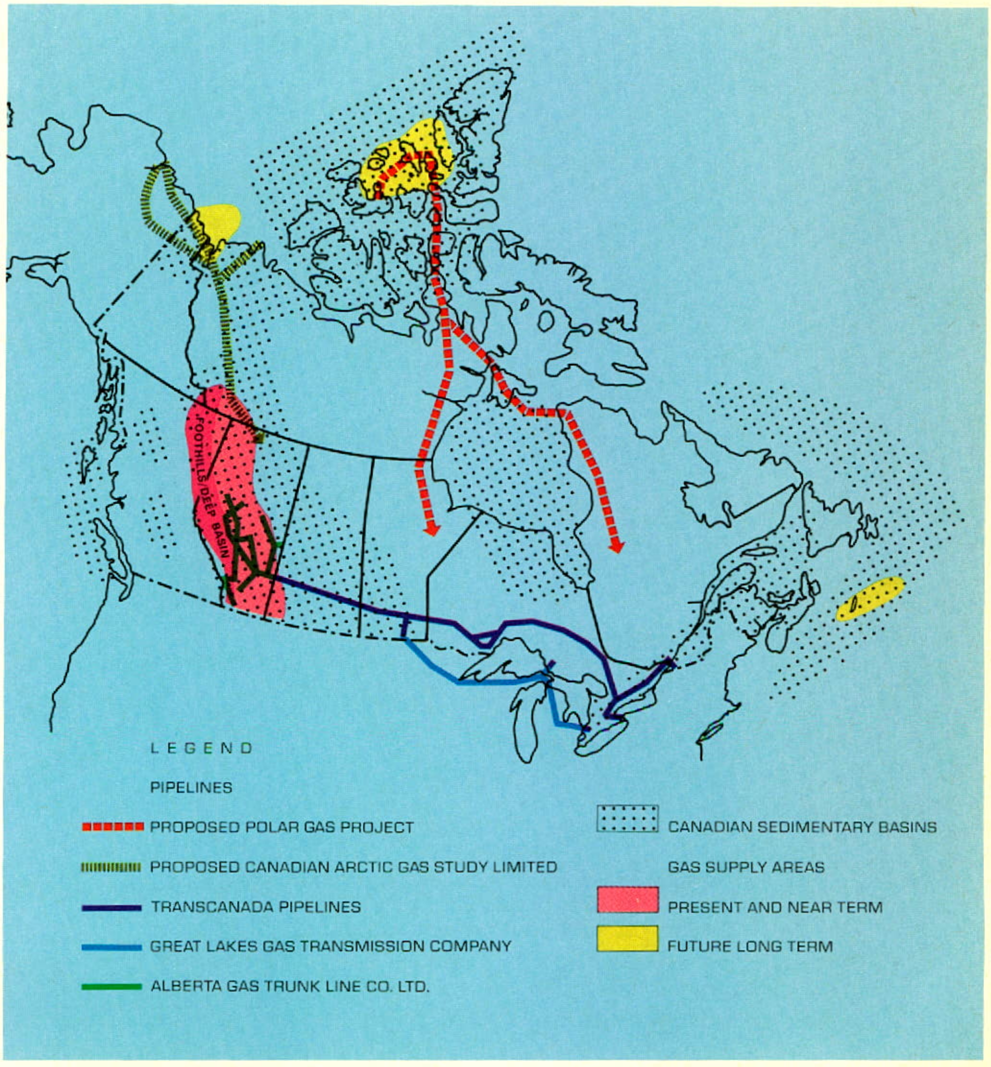


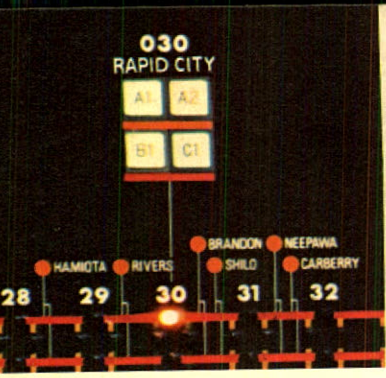
Winter research on possible Arctic pipeline route.

MACKENZIE VALLEY PIPELINE RESEARCH

To obtain the benefits of additional engineering research, TransCanada PipeLines is participating in the research program being carried out by Mackenzie Valley Pipeline Research, formed in 1969 by 18 companies to study and seek solutions to the problems of designing, constructing, operating and maintaining a safe, efficient oil pipeline system in the Arctic and sub Arctic.

A feasibility study recently released by Mackenzie Valley Pipeline Research has disclosed that a pipeline capable of transporting Alaskan and Canadian Arctic crude oil up the Mackenzie River Valley to Edmonton, Alberta is technically feasible and could be constructed and operated without major or irreparable damage to the Arctic environment.





Marketing

SALES AND TRANSPORTATION

In 1972 the volumes of gas sold by TransCanada totalled 932.4 Bcf, up from 830.7 Bcf in 1971. Canadian sales were 665.8 Bcf, up from 555.4 Bcf in 1971. United States sales declined slightly from 275.4 Bcf to 266.6 Bcf in 1972 as a result of the termination of a short-term export sale to Tennessee Gas Pipeline Company on November 1, 1971. The maximum daily quantity of natural gas delivered for sale and transportation was 3,128 MMcf, up from 2,803 MMcf in 1971.

In December, 1972, the Company commenced the transportation on behalf of Consolidated Natural Gas Limited of Calgary, Alberta, of natural gas produced in Montana from a point on the Company's system near Herbert, Saskatchewan, to Emerson, Manitoba. The Company has constructed facilities capable of delivering up to 120,000 Mcf daily upon Consolidated's request.

During 1972 further progress was achieved in the co-ordination of the use of pipeline facilities of Alberta Gas Trunk Line, TransCanada PipeLines, Great Lakes Gas Transmission Company and other connecting carriers to ensure the efficient transportation of maximum volumes of natural gas by all pipelines involved. This program, initiated several years ago, has become increasingly effective in ensuring the best possible service to the marketing areas.

During the year commercial and industrial sales of natural gas continued to rise at a more rapid rate than residential use. The use of natural gas for electrical energy generation contributed to the gain in industrial use during 1972. These turbine-generator plants are converting to natural gas as an anti-pollution measure in urban areas.

FUTURE MARKET GROWTH

It is expected that delivered prices for natural gas will increase in 1973 to reflect higher field prices and other operating costs. Because of increases in the prices of other fuels, natural gas prices are expected to remain competitive.

The extent of development of additional markets for natural gas in eastern Canada, during the contract year commencing November 1, 1974, is difficult to forecast because of present uncertainties in obtaining additional authorizations to remove gas from the Province of Alberta. The Company's Canadian customers had requested to purchase quantities in the contract year commencing November 1, 1973 which were approximately 60 Bcf per year greater than the quantities TransCanada will be able to supply them because of the restrictions imposed by the presently existing Alberta authorizations.

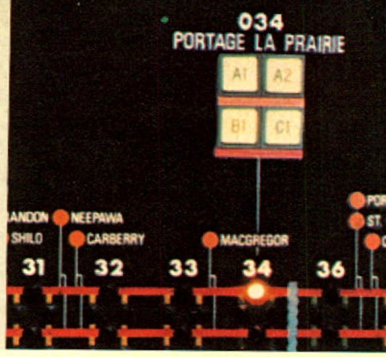
ANNUAL GAS SALES

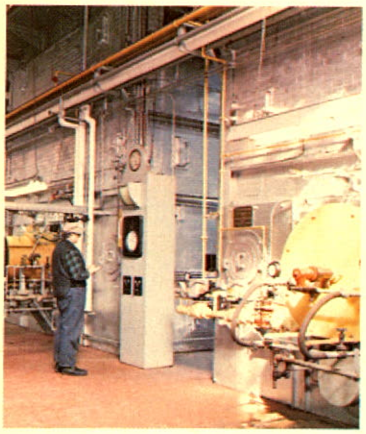
By customer (volumes in MMcf)	1972	1971	1970	1969	1968	1967	1966	1965	1964	1963
Saskatchewan Power Corporation	23,073	26,480	23,279	19,680	17,417	13,020	6,224	3,399	3,279	2,958
Plains-Western Gas (Manitoba) Ltd.	8,409	8,167	7,460	6,435	6,565	4,553	2,588	2,456	1,980	1,530
Inter-City Gas Limited	7,852	5,900	3,922	3,496	3,296	3,117	2,885	2,474	2,145	1,892
Northern and Central Gas Corporation Limited										
Ontario Division	108,026	102,192	95,642	83,695	75,805	70,089	61,523	56,874	53,049	46,530
Greater Winnipeg Gas Company	47,988	42,291	40,179	37,172	35,628	34,480	33,255	27,406	23,467	19,108
Gaz Métropolitain, inc.	53,962	50,171	48,729	48,433	41,153	41,114	41,149	36,308	31,737	27,036
The Consumers' Gas Company	235,804	175,291	173,530	148,983	120,610	112,604	105,301	96,707	82,860	73,294
Union Gas Limited	178,663	143,024	134,264	99,197	86,736	70,142	65,768	54,041	43,533	33,264
Kingston Public Utilities Commission	2,015	1,862	1,729	1,707	1,586	1,550	1,555	1,489	1,224	1,006
Total Canadian	665,792	555,378	528,734	448,798	388,796	350,669	320,248	281,154	243,274	206,618
Michigan Wisconsin Pipe Line Company	18,300	18,250	2,332	—	—	—	—	—	—	—
Midwestern Gas Transmission Company	119,117	119,483	121,752	117,792	117,197	83,718	77,148	73,988	71,366	62,785
Great Lakes Gas Transmission Company	111,447	98,995	48,934	19,895	3,665	—	—	—	—	—
Inter-City Gas Limited	8,120	7,021	—	—	—	—	—	—	—	—
Tennessee Gas Pipeline Company	—	22,843	28,143	11,099	455	—	—	—	—	—
Niagara Gas Transmission Limited	5,899	5,946	5,495	5,361	4,394	3,994	3,371	3,144	2,078	1,687
Vermont Gas Systems, Inc.	3,745	2,820	2,532	2,095	1,452	613	270	—	—	—
Total U.S. Export	266,628	275,358	209,188	156,242	127,163	88,325	80,789	77,132	73,444	6[illegible],472
Total Sales	932,420	830,736	737,922	605,040	515,959	438,994	401,037	358,286	316,718	271,090

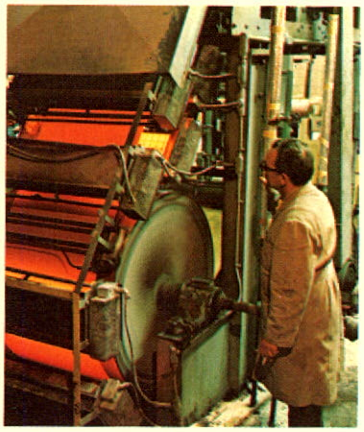
As noted on Page 4 the Company has sold the Unity Line to a subsidiary of Saskatchewan Power Corporation. It is considered inappropriate to continue to include these sales with those listed above since the gas does not move through any TransCanada facilities.

The short-term sale to Tennessee Gas Pipeline terminated on November 1, 1971 and as a result, export sales are lower during 1972 than in the previous year. The opportunity to make additional short-term sales in the future will depend upon contracted gas supplies being declared surplus to the reasonably foreseeable needs of the people of Alberta and Canada.

Information services







Top left to right: Industrial boiler converted to natural gas. Natural gas-fired dryer in paper plant. Below: Natural gas burner used in asphalt production.

INFORMATION SERVICES

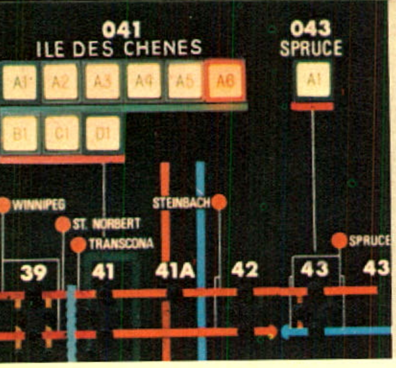
An important obligation of every corporation is to keep the public informed of the services it is performing and of its future plans. During the year, in addition to its Annual Report, TransCanada issues an interim report each quarter to its shareholders and press releases on appropriate occasions. A more detailed booklet with a ten year statistical review of Company operations is also available on request.

The Company also keeps Canadians informed of its affairs through a continuing series of institutional corporate advertisements which have been gaining an increasingly favorable response.

During 1972 TransCanada received nearly 1,000 requests for information on the Company's operations and on the natural gas industry in Canada. These requests came from teachers, students and others. The material supplied included pamphlets, films and filmstrips. TransCanada also publishes "Natural Gas Today" – a quarterly which records latest developments in natural gas technology, and "Along the Line" a magazine for employees.

OTHER COMMUNITY ACTIVITIES

In common with many Canadian corporations, the Company and its employees every year make both contributions of time and money to worthy educational, social service and cultural activities in the Canadian communities in which it carries on business.



Personnel

At far right, a Chinese Petroleum Mission visits the TransCanada PipeLines compressor station near Maple, Ont. Company employees visit the mill manufacturing pipe to be used in 1972 construction.

EMPLOYEES

TransCanada has approximately 1350 employees who form a very important part of Canada's national pipeline skills. Every year the Company devotes a major effort to ensuring that its employees as a group maintain the high standards of performance and effort.

More than 20% of the Company's employees took part in continuing education programs in 1972. With the financial support of the Company, 88 employees were enrolled in the Natural Gas Technology Course. 133 employees were reimbursed a portion of the cost of extension courses at universities and community colleges. Through the Company's program of Training and Development a further 65 employees took part in workshops and seminars.

In 1972, TransCanada employed 74 high school students and 121 college and university students in summer jobs.

In 1972, the Company also improved its pension plan benefits, and sick leave and temporary disability benefits. The turnover rate among TransCanada employees continues substantially below the national industrial averages.

COMMON SHARES

Share distribution as at December 31, 1972

Distribution	No. of shareholders	No. of shares
Newfoundland	46	6,341
Prince Edward Island	66	4,408
Nova Scotia	605	126,923
New Brunswick	363	31,474
Quebec	2,994	3,197,428
Ontario	10,456	3,503,945
Manitoba	1,409	538,934
Saskatchewan	775	80,707
Alberta	2,907	837,747
British Columbia	3,786	443,919
Yukon Territory	12	330
Total Canadian	23,419	8,772,156
U.S.A.	2,828	357,605
United Kingdom	138	47,445
Other countries	152	27,111
Overall total	26,537	9,204,317

$2.75 CUMULATIVE REDEEMABLE CONVERTIBLE FIRST PREFERRED SHARES – SERIES A

Share distribution as at December 31, 1972

Distribution	No. of shareholders	No. of shares
Newfoundland	16	1,150
Prince Edward Island	12	132
Nova Scotia	147	7,584
New Brunswick	85	3,012
Quebec	619	271,785
Ontario	2,748	302,425
Manitoba	368	236,565
Saskatchewan	268	5,608
Alberta	741	28,665
British Columbia	891	27,503
Northwest Territories	2	6
Yukon Territory	1	7
Total Canadian	5,898	884,442
U.S.A.	42	2,045
Other countries	52	1,217
Overall total	5,992	887,704

$2.80 CUMULATIVE REDEEMABLE FIRST PREFERRED SHARES

Share distribution as at December 31, 1972

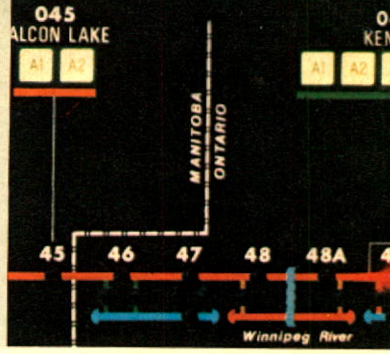
Distribution	No. of shareholders	No. of shares
Newfoundland	11	1,625
Prince Edward Island	15	526
Nova Scotia	166	19,626
New Brunswick	72	4,115
Quebec	644	197,153
Ontario	2,789	446,607
Manitoba	299	44,535
Saskatchewan	191	15,588
Alberta	632	51,902
British Columbia	1,149	123,851
Northwest Territories	—	—
Yukon Territory	—	—
Total Canadian	5,968	905,528
U.S.A.	27	1,973
Other countries	9	729
Overall total	6,004	908,230

$2.65 CUMULATIVE REDEEMABLE CONVERTIBLE SECOND PREFERRED SHARES – SERIES A

Share distribution as at December 31, 1972

Distribution	No. of shareholders	No. of shares
Newfoundland	10	1,930
Prince Edward Island	19	2,025
Nova Scotia	324	58,560
New Brunswick	99	15,877
Quebec	1,236	899,255
Ontario	2,863	1,079,023
Manitoba	275	171,877
Saskatchewan	200	19,482
Alberta	512	89,009
British Columbia	1,052	153,407
Northwest Territories	—	—
Yukon Territory	1	10
Total Canadian	6,591	2,490,455
U.S.A.	14	7,015
Other countries	13	2,530
Overall total	6,618	2,500,000

Great Lakes Gas Transmission Company



1972 OPERATIONS

In 1972 Great Lakes Gas Transmission Company again made substantial progress. While some operating problems were encountered during the year as a result of lower pipeline efficiencies than originally assumed and reduced horsepower available from some of its compressor stations, remedial measures undertaken appear to have improved system performance.

Because of operating problems Great Lakes and TransCanada agreed to a reduction in contract demand from 900,000 Mcf per day to 815,000 Mcf per day.

Net income of U.S. \$6,556,696 resulted from 1972 operations, an increase of U.S. \$5,311,000 compared to U.S. \$1,245,293 in 1971. Retained earnings rose to U.S. \$6,676,576 compared to U.S. \$119,880 in 1971.

During the year Great Lakes transported a total of 388.7 Bcf of gas of which 302.5 Bcf (or 78%) was delivered to TransCanada for sale in eastern Canada and 86.2 Bcf was sold to or transported for customers in the United States.

As indicated in Note 2 to the Consolidated Financial Statements of TransCanada on page 16, the retained earnings of Great Lakes may be reduced depending upon the ultimate outcome of proceedings before the Federal Power Commission related to the initial cost audit of Great Lakes.

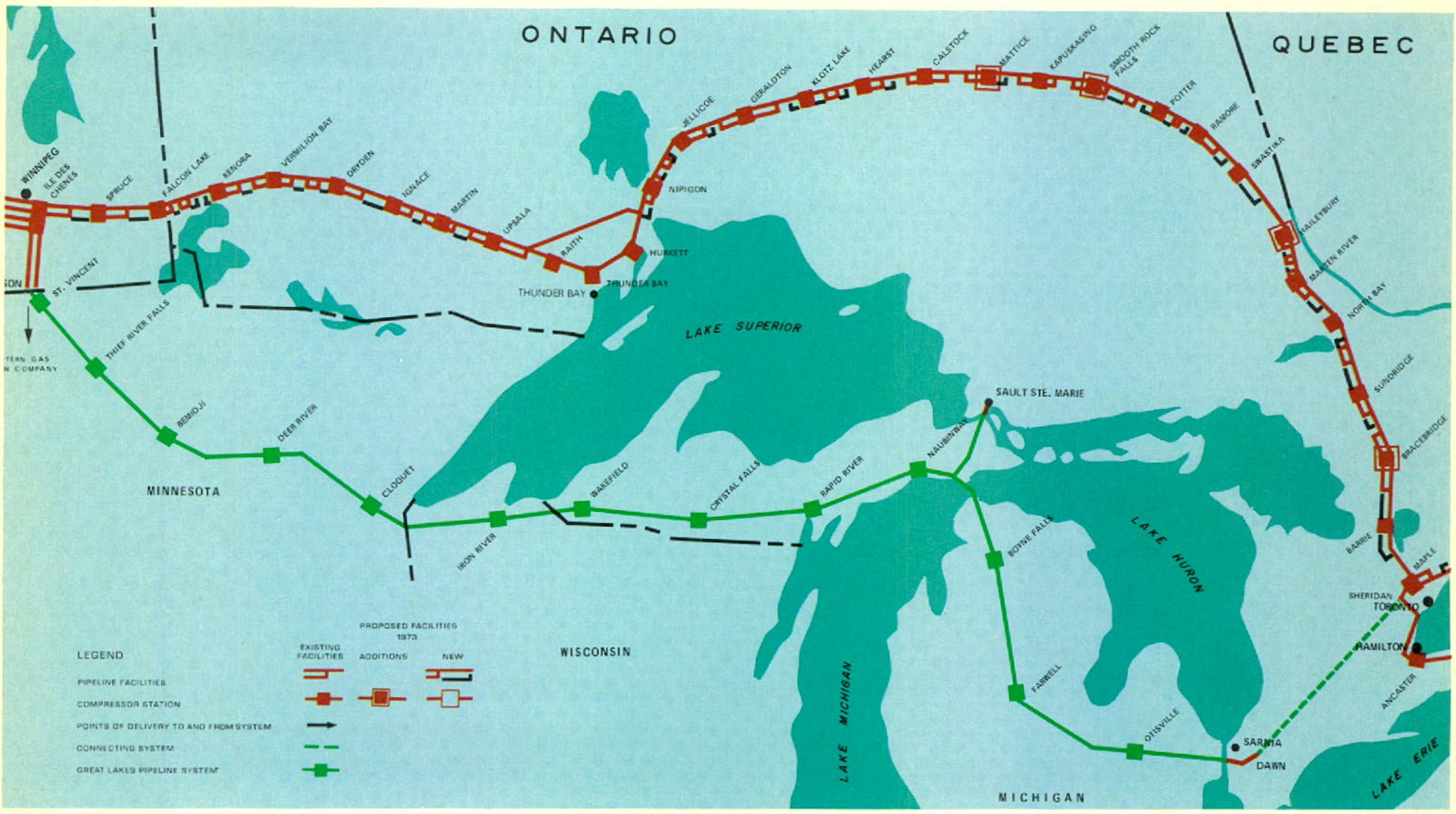
RATES

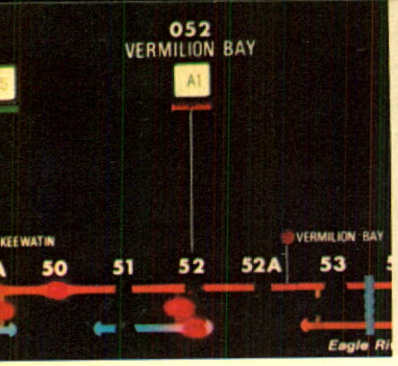
On July 20, 1972, Great Lakes filed revised tariff schedules with the FPC further increasing its rates for gas transported and sold. The new rates became effective, following the maximum statutory suspension period imposed by the FPC, on February 4, 1973. Based upon currently projected throughput capability, additional annual revenues of U.S. \$12,575,000 are anticipated to be generated as a result of the newly filed rates, which will be collected subject to the refund of any portion thereof ultimately found by the FPC to be above just and reasonable levels.

FINANCING

On September 25, 1972, Great Lakes issued and sold U.S. \$200,000,000 principal amount of First Mortgage Bonds, 8½% Series due July 1, 1982. On the same date Great Lakes issued U.S. \$50,000,000 aggregate principal amount of promissory notes to five banks pursuant to a Bank Loan Agreement dated as of June 30, 1972, for cash consideration of U.S. \$50,000,000. The notes bear interest at the rate of 8% per annum and are payable in six approximately equal semi-annual installments beginning July 1, 1973, with a final maturity date of December 31, 1975.

Concurrently with the above transac-





Great Lakes Gas Transmission Company

Construction and testing of new pipeline facilities on Great Lakes Gas Transmission Company system.

tions Great Lakes prepaid outstanding notes payable to banks due December 31, 1973, totalling U.S. $250,000,000. An additional U.S. $10,000,000 principal amount of such notes due December 31, 1973, was prepaid out of treasury funds, retiring all of Great Lakes' U.S. $260,000,000 principal amount of promissory notes which had been issued under a Bank Loan Agreement dated as of February 5, 1971.

1972 CONSTRUCTION

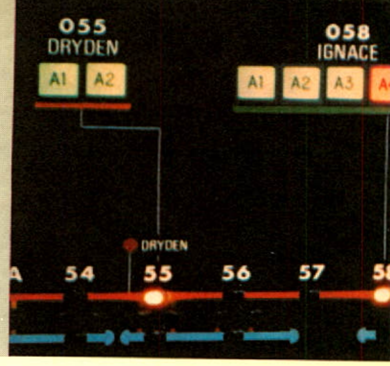
Under authorization granted by the Federal Power Commission, Great Lakes is now transporting for Northern Natural Gas Company up to 120,000 Mcf of gas per day employing new facilities completed in December, 1972.

These new facilities consist of 88 miles of 36 inch loop in northern Minnesota.

PROPOSED 1973 CONSTRUCTION

In 1973, Great Lakes plans to spend approximately U.S. $6,000,000 for additional facilities to improve pipeline efficiency and increase system security. This program includes approximately 7 miles of 36 inch loop and modifications at three compressor stations.

Corporate information



TransCanada PipeLines Limited

A company incorporated under the laws of Canada, which owns and operates 4,878 miles of gas transmission pipeline in Canada.

EXECUTIVE OFFICE
P.O. Box 54, Commerce Court West, Toronto, Ontario M5L 1C2.

HEAD OFFICE
407 Eighth Avenue S.W., Calgary, Alberta T2P 2M7.

SUBSIDIARIES (WHOLLY-OWNED)

ALBERTA INTER-FIELD GAS LINES LIMITED
Presently Inactive.

BANNER PETROLEUMS LIMITED, Presently Inactive.

INTERNATIONAL PIPELINE ENGINEERING LIMITED
A company carrying on the business of engineering, design and supervision of construction of pipelines and associated facilities.

WESTERN PIPE LINES
A company incorporated by special act of the Parliament of Canada, holding certain lands in Canada.

AFFILIATE (50% OWNED)
GREAT LAKES GAS TRANSMISSION COMPANY
A Delaware Company owning and operating a pipeline through The United States from Emerson, Manitoba, to Sault Ste. Marie, and Sarnia, Ontario.

COMMON SHARES
TRANSFER AGENTS
Montreal Trust Company
Montreal, Toronto, Winnipeg, Regina, Calgary and Vancouver.
First National City Bank, New York.

REGISTRARS
National Trust Company, Limited, Toronto.
Bankers' Trust Company, New York.

PREFERRED SHARES
\$2.80 Cumulative redeemable first preferred shares.
\$2.75 Cumulative redeemable convertible first preferred shares series A.
\$2.65 Cumulative redeemable convertible second preferred shares series A.
TRANSFER AGENT AND REGISTRAR
National Trust Company, Limited
Montreal, Toronto, Winnipeg, Calgary and Vancouver.

BONDS
TRUSTEE

CANADIAN SERIES
5½%, 6¼%, 6¾%, 8¾% First mortgage pipe line bonds
National Trust Company, Limited, Toronto.

U.S. SERIES
5⅛%, 5¼%, 5¾%, 6¼%, 6⅝% First mortgage pipe line bonds
Morgan Guaranty Trust Company of New York, New York.

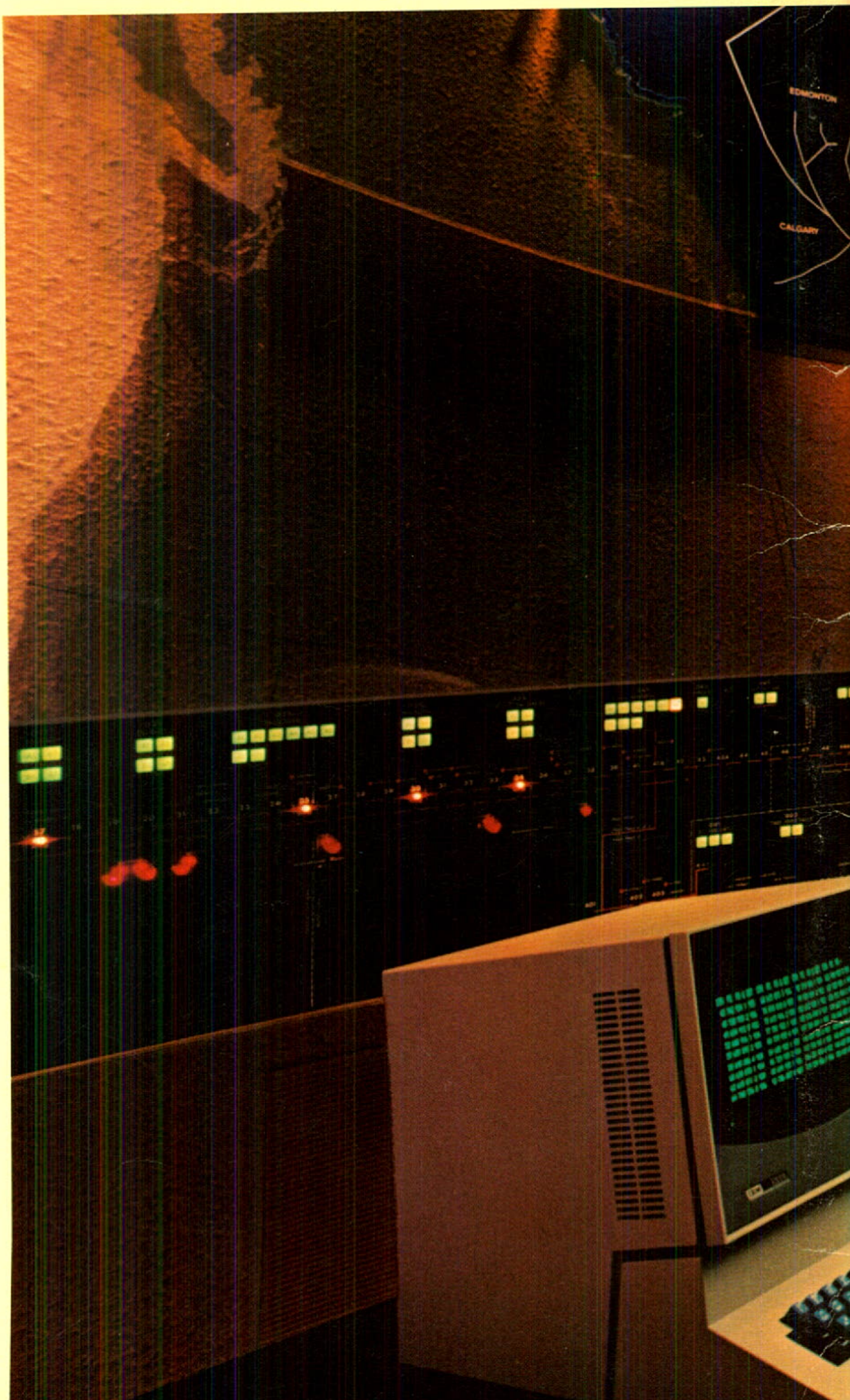
SINKING FUND DEBENTURES
TRUSTEE
10% Sinking fund debentures, series A
9¾% Sinking fund debentures, series B
9% Sinking fund debentures, series C
8⅞% Sinking fund debentures, series D
Crown Trust Company, Toronto.

SUBORDINATED DEBENTURES
TRUSTEE

CANADIAN SERIES
5.85% Subordinated debentures
Montreal Trust Company, Toronto.

U.S. SERIES
5.60% Subordinated debentures
First National City Bank, New York.

Printed in Canada



TransCanada PipeLines