

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### POWER

#### HIGHLIGHTS

**Earnings Increase:** \$75 million or 91 per cent increase in net earnings before asset sales in 2001 compared to 2000; \$43 million or 79 per cent average increase in annual net earnings over the past three years.

**Plant Growth:** Added electrical supply totalling more than 650 megawatts (MW) in 2001; added 11 new plants totalling more than 1,500 MW over the past three years.

**Operations Growth:** 67 per cent increase in volumes sold in 2001 compared to 2000; 37 per cent average increase in annual volumes sold over the past three years.

**Operational Excellence:** 96 per cent average plant availability in 2001; 96 per cent average plant availability over past three years.

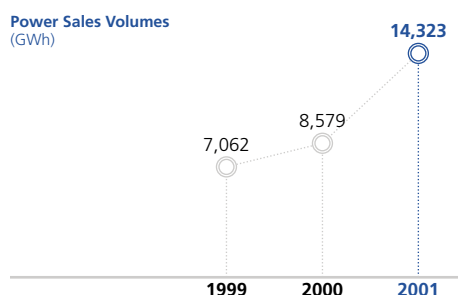
#### POWER RESULTS-AT-A-GLANCE

Year ended December 31 (millions of dollars)

	2001	2000	1999
Northeastern U.S. operations	159	68	53
Western operations	132	71	20
Power LP investment	39	33	26
General, administrative and support costs	(49)	(21)	(23)
Operating and other income	281	151	76
Financial charges	(24)	(15)	(13)
Income taxes	(100)	(54)	(23)
	157	82	40
After-tax gain on sale of Hermiston Power Partnership	—	23	—
Net earnings	157	105	40

TransCanada's Power business contributed \$157 million of net earnings in 2001, representing an increase of \$75 million or 91 per cent compared to net earnings before asset sales of \$82 million in 2000. This increase is primarily attributable to increased earnings in each of Power's business lines:

- **Northeastern U.S. Operations:** Increased marketing activities; capitalized on price volatility and market opportunities in 2001; increased ownership to 100 per cent in Ocean State Power (OSP) plant in October 2000; and acquisition of the Curtis Palmer facility in July 2001.
- **Western Operations:** Successfully commenced transactions under the Sundance A power purchase arrangement (PPA); and capitalized on high prices and market volatility, especially in the first half of 2001.
- **Power LP Investment:** Higher average ownership in TransCanada Power, L.P. (Power LP) in 2001 compared to 2000 and strong plant performance.



#### NIPIGON, KAPUSKASING, TUNIS AND NORTH BAY

These efficient, enhanced combined-cycle facilities are fuelled by a combination of natural gas and waste heat exhaust from adjacent compressor stations on the Canadian Mainline.