

2001 ACCOMPLISHMENTS

IMPROVING OPERATIONAL EFFICIENCY

In 2001, TransCanada was successful in negotiating a fuel gas incentive program as part of the overall tolls settlement that was ultimately approved by the National Energy Board (NEB) in November. The purpose of this program is to provide TransCanada with an additional incentive to minimize total delivered costs (toll for transportation plus fuel), while achieving an acceptable balance between cost savings and level of service.

The agreement reflects alignment of interests between TransCanada and our customers, and sets the stage for all parties to win – TransCanada can improve our earnings while customers benefit from lower cost. Improved operational efficiency also produces environmental benefits, to the extent that combustion-related emissions to the atmosphere are minimized, supporting TransCanada's efforts to reduce our environmental footprint.

LOWEST CAPITAL COST PERFORMANCE

The results from a 2001 benchmark study confirm that TransCanada has been, and continues to be, the lowest cost provider of safe and reliable natural gas pipeline facilities. Out of more than 1,000 of the top quartile (lowest cost) projects in NEB and U.S. Federal Energy Regulatory Commission databases, TransCanada's total installed capital costs were lower than any of the other competitors.

In addition to installing these facilities at the absolute lowest cost, TransCanada has been consistently on budget and on schedule. During the 1990s, TransCanada's capital program approached \$14 billion and was delivered within 0.6 per cent of the budgeted amount. Over 95 per cent of the projects were delivered within two months of the originally scheduled in-service date. Our success can be attributed to our extensive project management experience, our ability to develop effective relationships with key stakeholders and our implementation of leading-edge pipeline technologies such as high-strength steels and mechanized welding.

INDUSTRY LEADING E-COMMERCE INITIATIVES

In 2001, TransCanada introduced new electronic services including e-billing, e-contracting and wireless access to reporting, enabling our customers to streamline their business processes while lowering our costs. TransCanada Freedom is TransCanada's well-received wireless service that allows customers to access important account status reports using a personal digital assistant (PDA). While this information is already available electronically, TransCanada Freedom frees customers from their office computers by offering access at any time and from virtually anywhere. Launched in spring 2001, TransCanada Freedom is the first wireless application of its kind in the pipeline industry in North America.

While we move forward with our proposal for a new competitive business and regulatory framework that will allow us to meet customer needs more effectively over the long term, we continue to execute continuous improvement initiatives in our customer service and sales processes. TransCanada is an industry leader in utilizing e-commerce to improve customer service and, at the same time, to lower costs.