TRANSCANADA PIPELINES LTD
Form 40-F/A
August 02, 2005

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U.S. Securities and Exchange Commission
Washington, D.C. 20549

Form 40-F/A
Amendment No. 1

o REGISTRATION STATEMENT PURSUANT TO SECTION 12 OF THE SECURITIES EXCHANGE ACT of 1934

OR

ý ANNUAL REPORT PURSUANT TO SECTION 13(a) OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2004 Commission File Number 1-8887

TRANSCANADA PIPELINES LIMITED

(Exact Name of Registrant as specified in its charter)

Canada

(Jurisdiction of incorporation or organization)

4922, 4923, 4924, 5172

(Primary Standard Industrial Classification Code Number (if applicable))

Not Applicable

(I.R.S. Employer Identification Number (if applicable))

TransCanada Tower, 450 - 1 Street S.W.
Calgary, Alberta, Canada, T2P 5H1
(403) 920-2000

(Address and telephone number of Registrant's principal executive offices)

CT Corporation, Suite 2610, 520 Pike Street
Seattle, Washington, 98101; (206) 622-4511; 1-800-456-4511

(Name, address (including zip code) and telephone number (including area code) of agent for service in the United States)

Securities registered pursuant to section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
8.25% Preferred Securities due 2047	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None
Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: None

For annual reports, indicate by check mark the information filed with this Form:

o Annual Information Form ý Audited annual financial statements

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report.

At December 31, 2004, 4,000,000 Cumulative Redeemable First Preferred Shares Series U and 4,000,000 Cumulative Redeemable First Preferred Shares Series Y were issued and outstanding
All of the Registrant's common shares are owned by TransCanada Corporation.

Indicate by check mark whether the Registrant by filing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934 (the "Exchange Act"). If "Yes" is marked, indicate the file number assigned to the Registrant in connection with such Rule.

Yes o No ý

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the preceding 12 months (or such shorter period that the Registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.

Yes ý No o

The documents (or portions thereof) forming part of this Form 40-F/A are incorporated by reference in Amendment No. 1 on Form F-9 to Registration Statement (Reg. No. 333-121265) under the Securities Act of 1933, as amended.

EXPLANATORY NOTE

TransCanada PipeLines Limited ("TransCanada") is filing this Form 40-F/A Amendment No. 1 to its Annual Report on Form 40-F for the year ended December 31, 2004 which was filed with the Securities and Exchange Commission on March 15, 2005, to refile its 2004 Consolidated Financial Statements, which contains a restated Note 23 (U.S. GAAP). The restatement relates to the reporting of TransCanada's investment in TransCanada Power, L.P. For U.S. generally accepted accounting principles (GAAP) purposes, certain transactions involving TransCanada Power, L.P., in the period 1997 to 2001, should have been accounted for differently than under Canadian GAAP. This has been corrected on a retroactive basis. The restated Note 23 has no impact on TransCanada's 2004 financial statements as prepared under Canadian GAAP or on total shareholders' equity at December 31, 2004 as prepared under U.S. GAAP.

Other than as expressly set forth above, this Form 40-F/A does not, and does not purport to, update, or restate the information in any Item of the Form 40-F or reflect any events that have occurred after the Form 40-F was filed.

UNDERTAKING

The Registrant undertakes to make available, in person or by telephone, representatives to respond to inquiries made by the Commission staff, and to furnish promptly, when requested to do so by the Commission staff, information relating to: the securities registered pursuant to Form 40-F; the securities in relation to which the obligation to file an Annual Report on Form 40-F arises; or transactions in said securities.

SIGNATURES

Pursuant to the requirements of the Exchange Act, the Registrant certifies that it meets all of the requirements for filing on Form 40-F and has duly caused this Annual Report to be signed on its behalf by the undersigned, thereto duly authorized, in the City of Calgary, Province of Alberta, Canada.

TRANSCANADA PIPELINES LIMITED

By: /s/ RUSSELL K. GIRLING

Russell K. Girling, Executive Vice-President,
Corporate Development and Chief Financial Officer

Date: August 2, 2005

DOCUMENTS FILED AS PART OF THIS REPORT

13.1	Restated 2004 Consolidated Audited Financial Statements included herein on pages F-2 through F-47.
13.2	U.S. GAAP reconciliation included herein on pages F-40 through F-47 of the Restated 2004 Consolidated Audited Financial Statements.
99.1	Comments by Auditors for U.S. Readers on Canada U.S. Reporting Difference.

EXHIBITS

23.1	Consent of KPMG LLP, Chartered Accountants.
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

TransCanada PipeLines Limited

Restated Consolidated Financial Statements
December 31, 2004

AUDITORS' REPORT

To the Shareholder of TransCanada PipeLines Limited

We have audited the consolidated balance sheets of TransCanada PipeLines Limited as at December 31, 2004 and 2003 and the consolidated statements of income, retained earnings and cash flows for the years in the three-year period ended December 31, 2004. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these revised consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2004 and 2003 and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2004 in accordance with Canadian generally accepted accounting principles.

Our previous report dated February 28, 2005 has been withdrawn and the financial statements have been revised as explained in note 23 to the revised consolidated financial statements.

Chartered Accountants

Calgary, Canada

February 28, 2005, except
as to note 23 which is
as of July 28, 2005

TRANSCANADA PIPELINES LIMITED
CONSOLIDATED INCOME

Year ended December 31 (millions of dollars)	2004	2003	2002
Revenues	**5,107**	5,357	5,214
Operating Expenses			
Cost of sales	**539**	692	627
Other costs and expenses	**1,635**	1,682	1,546
Depreciation	**945**	914	848
	3,119	3,288	3,021
Operating Income	**1,988**	2,069	2,193
Other Expenses/(Income)			
Financial charges *(Note 9)*	**812**	821	867
Financial charges of joint ventures	**60**	77	90
Equity income *(Note 7)*	**(171)**	(165)	(33)
Interest income and other	**(65)**	(60)	(53)
Gains related to Power LP *(Note 8)*	**(197)**		
	439	673	871
Income from Continuing Operations before Income Taxes and Non-Controlling Interests	**1,549**	1,396	1,322
Income Taxes *(Note 16)*			
Current	**431**	305	270
Future	**77**	230	247
	508	535	517
Non-Controlling Interests	**10**	2	
Net Income from Continuing Operations	**1,031**	859	805
Net Income from Discontinued Operations *(Note 22)*	**52**	50	
Net Income	**1,083**	909	805
Preferred Securities Charges	**31**	36	36
Preferred Share Dividends	**22**	22	22
Net Income Applicable to Common Shares	**1,030**	851	747
Net Income Applicable to Common Shares			
Continuing operations	**978**	801	747
Discontinued operations	**52**	50	
	1,030	851	747

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

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TRANSCANADA PIPELINES LIMITED
CONSOLIDATED CASH FLOWS

Year ended December 31 (millions of dollars)	2004	2003	2002
Cash Generated from Operations			
Net income from continuing operations	**1,031**	859	805
Depreciation	**945**	914	848
Future income taxes	**77**	230	247
Gains related to Power LP	**(197)**		
Equity income in excess of distributions received *(Note 7)*	**(123)**	(119)	(6)
Pension funding in excess of expense	**(29)**	(65)	(33)
Other	**(32)**	(9)	(34)
Funds generated from continuing operations	**1,672**	1,810	1,827
Decrease in operating working capital *(Note 20)*	**33**	112	33
Net cash provided by continuing operations	**1,705**	1,922	1,860
Net cash (used in)/provided by discontinued operations	**(6)**	(17)	59
	1,699	1,905	1,919
Investing Activities			
Capital expenditures	**(476)**	(391)	(599)
Acquisitions, net of cash acquired *(Note 8)*	**(1,516)**	(570)	(228)
Disposition of assets *(Note 8)*	**410**		
Deferred amounts and other	**(24)**	(138)	(112)
Net cash used in investing activities	**(1,606)**	(1,099)	(939)
Financing Activities			
Dividends and preferred securities charges	**(623)**	(588)	(546)
Advances from parent	**35**	46	
Notes payable issued/(repaid), net	**179**	(62)	(46)
Long-term debt issued	**1,042**	930	
Reduction of long-term debt	**(997)**	(744)	(486)
Non-recourse debt of joint ventures issued	**233**	60	44
Reduction of non-recourse debt of joint ventures	**(113)**	(71)	(80)
Partnership units of joint ventures issued	**88**		
Common shares issued		18	50
Redemption of junior subordinated debentures		(218)	
Net cash used in financing activities	**(156)**	(629)	(1,064)
Effect of Foreign Exchange Rate Changes on Cash and Short-Term Investments	**(87)**	(52)	(3)
(Decrease)/Increase in Cash and Short-Term Investments	**(150)**	125	(87)
Cash and Short-Term Investments			
Beginning of year	**337**	212	299

Year ended December 31 (millions of dollars)	**2004**	**2003**	**2002**
Cash and Short-Term Investments			
End of year	**187**	337	212

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

TRANSCANADA PIPELINES LIMITED
CONSOLIDATED BALANCE SHEET

December 31 (millions of dollars)	2004	2003
ASSETS		
Current Assets		
Cash and short-term investments	**187**	337
Accounts receivable	**627**	603
Inventories	**174**	165
Other	**120**	88
	1,108	1,193
Long-Term Investments *(Note 7)*	**840**	733
Plant, Property and Equipment *(Notes 4, 9 and 10)*	**18,704**	17,415
Other Assets *(Note 5)*	**1,477**	1,357
	22,129	20,698
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Notes payable *(Note 17)*	**546**	367
Accounts payable	**1,215**	1,131
Accrued interest	**214**	208
Current portion of long-term debt *(Note 9)*	**766**	550
Current portion of non-recourse debt of joint ventures *(Note 10)*	**83**	19
	2,824	2,275
Deferred Amounts *(Note 11)*	**666**	561
Long-Term Debt *(Note 9)*	**9,713**	9,465
Future Income Taxes *(Note 16)*	**509**	427
Non-Recourse Debt of Joint Ventures *(Note 10)*	**779**	761
Preferred Securities *(Note 12)*	**19**	22
	14,510	13,511
Non-Controlling Interests	**76**	82
Shareholders' Equity		
Preferred securities *(Note 12)*	**670**	672
Preferred shares *(Note 13)*	**389**	389
Common shares *(Note 14)*	**4,632**	4,632
Contributed surplus	**270**	267
Retained earnings	**1,653**	1,185
Foreign exchange adjustment *(Note 15)*	**(71)**	(40)
	7,543	7,105
Commitments, Contingencies and Guarantees *(Note 21)*		

December 31 (millions of dollars)	**2004**	**2003**
	22,129	20,698

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

On behalf of the Board:

Harold N. Kvisle
Director

Harry G. Schaefer
Director

TRANSCANADA PIPELINES LIMITED
CONSOLIDATED RETAINED EARNINGS

Year ended December 31 (millions of dollars)	2004	2003	2002
Balance at beginning of year	**1,185**	854	586
Net income	**1,083**	909	805
Preferred securities charges	**(31)**	(36)	(36)
Preferred share dividends	**(22)**	(22)	(22)
Common share dividends	**(562)**	(520)	(479)
	1,653	1,185	854

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

TRANSCANADA PIPELINES LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

TransCanada PipeLines Limited (the Company or TCPL) is a leading North American energy company. TCPL operates in two business segments, Gas Transmission and Power, each of which offers different products and services.

Gas Transmission

The Gas Transmission segment owns and operates the following natural gas pipelines:

- a natural gas transmission system extending from the Alberta border east into Québec (the Canadian Mainline);
- a natural gas transmission system in Alberta (the Alberta System);
- a natural gas transmission system extending from the British Columbia/Idaho border to the Oregon/California border, traversing Idaho, Washington and Oregon (the Gas Transmission Northwest System);
- a natural gas transmission system extending from central Alberta to the B.C., Saskatchewan and the United States borders (the Foothills System);
- a natural gas transmission system extending from the Alberta border west into southeastern B.C. (the BC System);
- a natural gas transmission system extending from a point near Ehrenberg, Arizona to the Baja California, Mexico/California border (the North Baja System); and
- natural gas transmission systems in Alberta which supply natural gas to the oil sands region of northern Alberta and to a petrochemical complex at Joffre, Alberta (Ventures LP).

Gas Transmission also holds the Company's investments in other natural gas pipelines and natural gas storage facilities located primarily in Canada and the U.S. In addition, Gas Transmission investigates and develops new natural gas transmission, natural gas storage and liquefied natural gas regasification facilities in Canada and the U.S.

Power

The Power segment builds, owns and operates electrical power generation plants, and markets electricity. Power also holds the Company's investments in other electrical power generation plants. This business operates in Canada and the U.S.

NOTE 1 ACCOUNTING POLICIES

The consolidated financial statements of the Company have been prepared by Management in accordance with Canadian generally accepted accounting principles (GAAP). These accounting principles are different in some respects from U.S. GAAP and the significant differences are described in Note 23. Amounts are stated in Canadian dollars unless otherwise indicated. Certain comparative figures have been reclassified to conform with the current year's presentation.

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

Basis of Presentation

Pursuant to a plan of arrangement, effective May 15, 2003, common shares of TCPL were exchanged on a one-to-one basis for common shares of TransCanada Corporation (TransCanada). As a result, TCPL became a wholly-owned subsidiary of TransCanada. The consolidated financial statements include the accounts of TCPL, the consolidated accounts of all subsidiaries and TCPL's proportionate share of the accounts of the Company's joint venture investments.

On November 1, 2004, the Company acquired a 100 per cent interest in the Gas Transmission Northwest System and the North Baja System (collectively GTN) and, as a result, GTN was consolidated subsequent to that date. In December 2003, TCPL increased its ownership interest in Portland Natural Gas Transmission System Partnership (Portland) to 61.7 per cent from 43.4 per cent. Subsequent to the acquisition, Portland was consolidated in the Company's financial statements with 38.3 per cent reflected in non-controlling interests. In August 2003, the Company acquired the remaining interests in Foothills Pipe Lines Ltd. and its subsidiaries (Foothills) previously not held by TCPL, and Foothills was consolidated subsequent to that date.

TCPL uses the equity method of accounting for investments over which the Company is able to exercise significant influence.

Regulation

The Canadian Mainline, the BC System, the Foothills System, and Trans Québec & Maritimes Pipeline Inc. (Trans Québec & Maritimes) are subject to the authority of the National Energy Board (NEB) and the Alberta System is regulated by the Alberta Energy and Utilities Board (EUB). These Canadian natural gas transmission operations are regulated with respect to the determination of revenues, tolls, construction and operations. The NEB approved interim tolls for 2004 for the Canadian Mainline. The tolls will remain interim pending a decision on Phase II of the 2004 Tolls and Tariff Application, which will address capital structure, for the Canadian Mainline. Any adjustments to the interim tolls will be recorded in accordance with the NEB decision. The Gas Transmission Northwest System, the North Baja System and the other natural gas pipelines in the U.S. are subject to the authority of the Federal Energy Regulatory Commission (FERC). In order to appropriately reflect the economic impact of the regulators' decisions regarding the Company's revenues and tolls, and to thereby achieve a proper matching of revenues and expenses, the timing of recognition of certain revenues and expenses in these regulated businesses may differ from that otherwise expected under GAAP.

Cash and Short-Term Investments

The Company's short-term investments with original maturities of three months or less are considered to be cash equivalents and are recorded at cost, which approximates market value.

Inventories

Inventories are carried at the lower of average cost or net realizable value and primarily consist of materials and supplies including spare parts and storage gas.

Plant, Property and Equipment

Gas Transmission

Plant, property and equipment of natural gas transmission operations are carried at cost. Depreciation is calculated on a straight-line basis. Pipeline and compression equipment are depreciated at annual rates ranging from two to six per cent and metering and other plant are depreciated at various rates. An allowance for funds used during construction, using the rate of return on rate base approved by the regulators, is capitalized and included in the cost of gas transmission plant.

Power

Plant, property and equipment in the Power business are recorded at cost and depreciated on a straight-line basis over estimated service lives at average annual rates generally ranging from two to four per cent. The cost of major overhauls of equipment is capitalized and depreciated over the estimated service lives. Interest is capitalized on capital projects.

Corporate

Corporate plant, property and equipment are recorded at cost and depreciated on a straight-line basis over estimated useful lives at average annual rates ranging from three to 20 per cent.

Power Purchase Arrangements

Power purchase arrangements (PPAs) are long-term contracts to purchase or sell power on a predetermined basis. The initial payments for PPAs acquired by TCPL are deferred and amortized over the terms of the contracts, from the dates of acquisition, which range from eight to 23 years. Certain PPAs under which TCPL sells power are accounted for as operating leases and, accordingly, the related plant, property and equipment are accounted for as assets under operating leases.

Income Taxes

As prescribed by the regulators, the taxes payable method of accounting for income taxes is used for tollmaking purposes for Canadian natural gas transmission operations. Under the taxes payable method, it is not necessary to provide for future income taxes. As permitted by Canadian GAAP, this method is also used for accounting purposes, since there is reasonable expectation that future taxes payable will be included in future costs of service and recorded in revenues at that time. The liability method of accounting for income taxes is used for the remainder of the Company's operations. Under this method, future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future income tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which temporary differences are expected to be recovered or settled. Changes to these balances are recognized in income in the period in which they occur.

Canadian income taxes are not provided on the unremitted earnings of foreign investments as the Company does not intend to repatriate these earnings in the foreseeable future.

Foreign Currency Translation

Most of the Company's foreign operations are self-sustaining and are translated into Canadian dollars using the current rate method. Under this method, assets and liabilities are translated at period end exchange rates and items included in the statements of consolidated income, consolidated retained earnings and consolidated cash flows are translated at the exchange rates in effect at the time of the transaction. Translation adjustments are reflected in the foreign exchange adjustment in Shareholders' Equity.

Certain foreign operations included in TCPL's investment in TransCanada Power, L.P. (Power LP) are integrated and are translated into Canadian dollars using the temporal method. Under this method, monetary assets and liabilities are translated at period end exchange rates, non-monetary assets and liabilities are translated at historical exchange rates, revenues and expenses are translated at the exchange rate in effect at the time of the transaction and depreciation of assets translated at historical rates is translated at the same rate as the asset to which it relates. Gains and losses on translation are reflected in income when incurred.

Exchange gains or losses on the principal amounts of foreign currency debt and preferred securities related to the Alberta System and the Canadian Mainline are deferred until they are recovered in tolls.

Derivative Financial Instruments

The Company utilizes derivative and other financial instruments to manage its exposure to changes in foreign currency exchange rates, interest rates and energy commodity prices. Gains or losses relating to derivatives that are hedges are deferred and recognized in the same period and in the same financial statement category as the corresponding hedged transactions. The recognition of gains and losses on derivatives used as hedges for Canadian Mainline, Alberta System, GTN and the Foothills System exposures is determined through the regulatory process.

A derivative must be designated and effective to be accounted for as a hedge. For cash flow hedges, effectiveness is achieved if the changes in the cash flows of the derivative substantially offset the changes in the cash flows of the hedged position and the timing of the cash flows is similar. Effectiveness for fair value hedges is achieved if changes in the fair value of the derivative substantially offset changes in the fair value attributable to the hedged item. In the event that a derivative does not meet the designation or effectiveness criterion, the derivative is accounted for at fair value and realized and unrealized gains and losses on the derivative are recognized in income. If a derivative that qualifies as a hedge is settled early, the gain or loss at settlement is deferred and recognized when the corresponding hedged transaction is recognized. Premiums paid or received with respect to derivatives that are hedges are deferred and amortized to income over the term of the hedge.

Employee Benefit and Other Plans

The Company sponsors defined benefit pension plans (DB Plans). The cost of defined benefit pensions and other post-employment benefits earned by employees is actuarially determined using the projected benefit method pro-rated on service and Management's best estimate of expected plan investment performance, salary escalation, retirement ages of employees and expected health care costs. Pension plan assets are measured at fair value. The expected return on pension plan assets is determined using market-related values based on a five-year moving average value for all plan assets. Adjustments arising from plan amendments are amortized on a straight-line basis over the average remaining service period of employees active at the date of amendment. The excess of the net actuarial gain or loss over 10 per cent of the greater of the benefit obligation and the fair value of plan assets is amortized over the average remaining service period of the active employees. When the restructuring of a benefit plan gives rise to both a curtailment and a settlement, the curtailment is accounted for prior to the settlement. The Company previously sponsored two additional plans, a defined contribution plan and a combination of the defined benefit and defined contribution plans, which were effectively terminated at December 31, 2002.

NOTE 2 ACCOUNTING CHANGES

Asset Retirement Obligations

Effective January 1, 2004, the Company adopted the new standard of the Canadian Institute of Chartered Accountants (CICA) Handbook Section "Asset Retirement Obligations", which addresses financial accounting and reporting for obligations associated with asset retirement costs. This section requires that the fair value of a liability for an asset retirement obligation be recognized in the period in which it is incurred if a reasonable estimate of fair value can be made. The fair value is added to the carrying amount of the associated asset. The liability is accreted at the end of each period through charges to operating expenses. This accounting change was applied retroactively with restatement of prior periods.

The plant, property and equipment of the regulated natural gas transmission operations consists primarily of underground pipelines and above ground compression equipment and other facilities. No amount has been recorded for asset retirement obligations relating to these assets as it is not possible to make a reasonable estimate of the fair value of the liability due to the indeterminate timing and scope of the asset retirements. Management believes it is reasonable to assume that all retirement costs associated with the regulated pipelines will be recovered through tolls in future periods. For Gas Transmission, excluding regulated natural gas transmission operations, the impact of this accounting change resulted in an increase of $2 million in plant, property and equipment and in the estimated fair value of the liability as at January 1, 2003 and December 31, 2003.

The plant, property and equipment in the Power business consists primarily of power plants in Canada and the U.S. The impact of this accounting change resulted in an increase of $6 million and $7 million in plant, property and equipment and in the estimated fair value of the liability as at January 1, 2003 and December 31, 2003, respectively. The asset retirement cost, net of accumulated depreciation that would have been recorded if the cost had been recorded in the period in which it arose, is recorded as an additional cost of the assets as at January 1, 2003.

The impact of this change on TCPL's net income in prior years was nil. The impact of this accounting change on the Company's financial statements as at and for the year ended December 31, 2004 is disclosed in Note 18.

Hedging Relationships

Effective January 1, 2004, the Company adopted the provisions of the CICA's new Accounting Guideline "Hedging Relationships" that specifies the circumstances in which hedge accounting is appropriate, including the identification, documentation, designation and effectiveness of hedges, and the discontinuance of hedge accounting. The adoption of the new guideline, which TCPL applied prospectively, had no significant impact on net income for the year ended December 31, 2004.

Generally Accepted Accounting Principles

Effective January 1, 2004, the Company adopted the new standard of the CICA Handbook Section "Generally Accepted Accounting Principles" that defines primary sources of GAAP and the other sources that need to be considered in the application of GAAP. The new standard eliminates the ability to rely on industry practice to support a particular accounting policy and provides an exemption for rate-regulated operations.

This accounting change was applied prospectively and there was no impact on net income in the year ended December 31, 2004. In prior years, in accordance with industry practice, certain assets and liabilities related to the Company's regulated activities, and offsetting deferral accounts, were not recognized on the balance sheet. The impact of the change on the consolidated balance sheet as at January 1, 2004 is as follows.

(millions of dollars)	**Increase/ (Decrease)**
Other assets	**153**
Deferred amounts	**80**
Long-term debt	**76**
Preferred securities	**(3)**
Total liabilities	**153**

NOTE 3 SEGMENTED INFORMATION

NET INCOME/(LOSS)[1]

Year ended December 31, 2004 (millions of dollars)	**Gas Transmission**	**Power**	**Corporate**	**Total**
Revenues	**3,917**	**1,190**		**5,107**
Cost of sales[2]		**(539)**		**(539)**
Other costs and expenses	**(1,225)**	**(407)**	**(3)**	**(1,635)**
Depreciation	**(873)**	**(72)**		**(945)**
Operating income/(loss)	**1,819**	**172**	**(3)**	**1,988**
Financial and preferred equity charges and non-controlling interests	**(785)**	**(9)**	**(81)**	**(875)**
Financial charges of joint ventures	**(56)**	**(4)**		**(60)**
Equity income	**41**	**130**		**171**
Interest income and other	**14**	**14**	**37**	**65**
Gains related to Power LP		**197**		**197**
Income taxes	**(447)**	**(104)**	**43**	**(508)**
Continuing operations	**586**	**396**	**(4)**	**978**
Discontinued operations				**52**
Net Income Applicable to Common Shares				**1,030**

Year ended December 31, 2003 (millions of dollars)				
Revenues	3,956	1,401		5,357
Cost of sales[2]		(692)		(692)
Other costs and expenses	(1,270)	(405)	(7)	(1,682)
Depreciation	(831)	(82)	(1)	(914)
Operating income/(loss)	1,855	222	(8)	2,069
Financial and preferred equity charges and non-controlling interests	(781)			