Q: Reference: Table on page 28 and Schedule 27

As an illustration, please explain in detail how the return on common equity for 1999 for TransCanada PipeLines was calculated as 0.0.

A: Photocopies of the income statement and balance sheet from the 1999 Annual Report of TransCanada Pipelines Limited are attached as pages 2 and 3, respectively, of this response. The figures in the following calculations are taken from these two pages. All figures, except those for ROCE, are in millions of Canadian dollars.

(A) Average common shareholders' equity (CSE) for 1999:

CSE at 1999 yearend = 4,535 + 263 + 132 +18 = 4,948
CSE at 1998 yearend = 4,331 + 263 + 740 + 15 = 5,349

Average CSE for 1999 = (4,948 + 5,349) ÷ 2 = 5,148.5 (A)

(B) Return to common shareholders for 1999:

Net (loss) applicable to common shares after preferred security charges and dividends (includes net income or loss from discontinued operations)	(70)	
Add back: loss from sale of partnership interest	+91	
Subtract: tax recovery from above loss at the tax rates applied to income from continuing operations (185 ÷ 737)	-23	
Equals: return to common shareholders	(2)	(B)

(C) Rate of return on average common shareholders' equity:

ROCE ≡ (B) ÷ (A) = (2) ÷ 5,148.5 = -0.04% = 0.0%

CONSOLIDATED INCOME

Year ended December 31 (millions of dollars except per share amounts)	1999	1998	1997
Revenues	**11,917**	10,977	9,880
Operating Expenses			
Cost of sales	**7,809**	6,845	6,226
Other costs and expenses	**1,516**	1,688	1,370
Depreciation	**705**	632	610
Restructuring and other costs *(Note 3)*	**170**	207	—
	10,200	9,372	8,206
Operating Income	**1,717**	1,605	1,674
Other Expenses/(Income)			
Financial charges *(Note 8)*	**1,057**	995	855
Financial charges of joint ventures *(Note 9)*	**92**	110	105
Allowance for funds used during construction	**(46)**	(81)	(39)
Interest and other income	**(32)**	(64)	(60)
Gain on sale of partnership interest	**(91)**	—	—
	980	960	861
Income from Continuing Operations before Income Taxes	**737**	645	813
Income Taxes *(Note 14)*	**185**	182	263
Net Income from Continuing Operations	**552**	463	550
Net (Loss)/Income from Discontinued Operations *(Note 2)*	**(524)**	(31)	198
Net Income	**28**	432	748
Preferred Securities Charges *(Note 10)*	**46**	21	13
Preferred Share Dividends	**52**	50	45
Net (Loss)/Income Applicable to Common Shares	**(70)**	361	690
Net (Loss)/Income Applicable to Common Shares			
Continuing operations	**454**	392	492
Discontinued operations	**(524)**	(31)	198
	(70)	361	690
Net (Loss)/Income Per Share *(Note 12)*			
Continuing operations	**$0.97**	$0.85	$1.08
Discontinued operations	**(1.12)**	(0.07)	0.43
	($0.15)	$0.78	$1.51

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

CONSOLIDATED BALANCE SHEET

December 31 (millions of dollars)	1999	1998
ASSETS		
Current Assets		
Cash and short-term investments	**408**	350
Accounts receivable	**1,076**	1,162
Inventories	**229**	127
Other	**28**	37
Current assets of discontinued operations *(Note 2)*	**935**	996
	2,676	2,672
Long-Term Investments *(Note 7)*	**417**	36
Plant, Property and Equipment *(Notes 5, 8 and 9)*	**18,117**	18,432
Other Assets	**312**	364
Deferred Income Taxes	**73**	—
Long-Term Assets of Discontinued Operations *(Note 2)*	**3,469**	4,119
	25,064	25,623
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Notes payable *(Note 15)*	**214**	560
Accounts payable	**1,433**	1,323
Accrued interest	**284**	294
Long-term debt due within one year *(Note 8)*	**606**	505
Non-recourse debt of joint ventures due within one year *(Note 9)*	**61**	55
Provision for loss on discontinued operations *(Note 2)*	**464**	—
Current liabilities of discontinued operations *(Note 2)*	**579**	799
	3,641	3,536
Deferred Amounts	**379**	478
Long-Term Debt *(Note 8)*	**12,161**	11,926
Non-Recourse Debt of Joint Ventures *(Note 9)*	**864**	1,233
Deferred Income Taxes	**—**	105
Junior Subordinated Debentures *(Note 10)*	**241**	239
Long-Term Liabilities of Discontinued Operations *(Note 2)*	**788**	775
Non-Controlling Interests	**365**	96
	18,439	18,388
Shareholders' Equity		
Preferred securities *(Note 10)*	**960**	978
Preferred shares *(Note 11)*	**717**	908
Common shares *(Note 12)*	**4,535**	4,331
Contributed surplus	**263**	263
Retained earnings	**132**	740
Foreign exchange adjustment *(Note 13)*	**18**	15
	6,625	7,235
Commitments and Contingencies *(Note 18)*		
	25,064	25,623

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

On behalf of the Board:

Douglas D. Baldwin
Director

Harold P. Milavsky
Director