January 31, 2011

Financial Accounting Standards Board
of the Financial Accounting Foundation
401 Merritt 7
PO Box 5116
Norwalk, Connecticut
06856-5116
Sent by email to director@fasb.org

Dear Members:

TransCanada Corporation (TransCanada) is pleased to submit its comments in response to the Invitation to Comment on the Discussion Paper on Effective Dates and Transition Methods as Issued by the Financial Accounting Standards Board (FASB).

TransCanada is a leader in the responsible development and reliable operation of North American energy infrastructure, including natural gas pipelines, power generation, gas storage facilities and projects related to oil pipelines and power facilities.

TransCanada supports the goal of a single set of high-quality accounting standards that are accepted and applied globally. TransCanada appreciates the opportunity to provide input on the effective dates and transition methods for the standards included in the scope of the Discussion Paper. For the users and preparers of financial statements, it is important that the standards be internally consistent. As part of the Board’s due diligence process, we encourage the Board to focus on the interaction among the standards, and to ensure that the principles are being applied in a consistent manner across inter-related standards. Due to the pervasive nature of some of the proposals, TransCanada’s preference is a variant of the sequential approach, which would suggest an effective date of January 1, 2014 for the recognition and measurement (“accounting”) proposals and a later distinct effective date of January 1, 2016 for the financial statement presentation proposals, assuming the current project timeline is maintained. This will allow adequate time for both the users and preparers to become educated on the impact of the changes, limiting the risk of confusion and misinterpretation of the financial results, thus minimizing any adverse reaction in the market.

TransCanada also encourages the FASB to converge effective dates with the International Accounting Standards Board (IASB) consistent with the goal of global convergence. Many countries will adopt International Financial Reporting Standards (IFRS) effective January 1, 2011 or January 1, 2012. Therefore, in order to allow both users and preparers time to adjust to this change; consideration should be given to allow a period of minimal changes in standards.

TransCanada has responded to the questions in the context that the following three proposed accounting standards will have a significant impact to TransCanada’s financial statements and
those of most other large companies: leases, financial statement presentation and financial instruments.

TransCanada hopes its comments will be useful to the FASB and the IASB in their deliberations. If you have any questions or would like to discuss any of these matters, please do not hesitate to contact us.

Yours very truly,

Glenn Menuz, C.A.
TransCanada Corporation
Vice-President and Controller

Copy: Mr. Peter Martin, Accounting Standards Board (Canada)
International Accounting Standards Board (IASB)
APPENDIX – Response to Effective Dates and Transition Methods Discussion Paper

TransCanada's responses to the questions raised in the Discussion Paper are set out below. Please note that TransCanada has responded to the questions in the context that the following three proposed accounting standards will have a significant impact to TransCanada's financial statements: financial instruments, leases, and financial statement presentation.

Scope

Question 1

Please describe the entity (or individual) responding to this Discussion Paper. For example:

a) Please indicate whether you are primarily a preparer of financial statements, an auditor, or an investor, creditor, or other user of financial statements (such as a regulator). Please also indicate whether you primarily prepare, use, or audit financial information prepared in accordance with U.S. GAAP, IFRSs, or both.

TransCanada is a preparer of financial statements. TransCanada currently issues financial statements in accordance with Canadian GAAP and as a SEC registrant, files an annual U.S. GAAP reconciliation. As a rate-regulated entity, TransCanada is required to convert to either U.S. GAAP or IFRS effective January 1, 2012.

b) If you are a preparer of the financial statements, please describe your primary business or businesses, their size (in terms of the number of employees or other relevant metric), and whether you have securities registered on a securities exchange.

TransCanada is a leading North American energy infrastructure company focused on pipelines and energy. At December 31, 2009, Pipelines accounted for approximately 53 per cent of revenues (total revenues of $8,966 million) and 67 percent of TransCanada’s total assets (total assets of $43,841 million) and Energy accounted for approximately 47 per cent of revenues and 28 per cent of TransCanada’s total assets.

With more than 50 years’ experience, TransCanada is a leader in the responsible development and reliable operation of North American energy infrastructure including natural gas and oil pipelines, power generation and gas storage facilities. TransCanada’s network of wholly owned natural gas pipelines extends more than 60,000 kilometres (37,000 miles), tapping into virtually all major gas supply basins in North America. TransCanada is one of the continent’s largest providers of gas storage and related services with approximately 380 billion cubic feet of storage capacity. A growing independent power producer, TransCanada owns, or has interests in, over 10,800 megawatts of power generation in Canada and the United States. TransCanada is developing one of North America’s largest oil delivery systems.

TransCanada Corporation securities are listed on both the Toronto Stock Exchange (TSX) and the New York Stock Exchange (NYSE).

c) If you are an auditor, please indicate the size of your firm and whether your practice focuses primarily on public companies, private entities, or both.

Not applicable.
d) If you are an investor, creditor, or other user of financial statements, please describe your job function (buy side/sell side/regulator/credit analyst/lending officer), your investment perspective (long, long/short, equity, or fixed income), and the industries or sectors you specialize in, if any.

Not applicable.

e) Please describe the degree to which each of the proposed new standards will likely affect you and the factors driving that effect (for example, preparers of financial statements might explain the frequency or materiality of the transaction to their business and investors might explain the significance of the transactions to the particular industries or sectors they follow).

TransCanada will be most impacted by the proposed standards on financial statement presentation, leases, and accounting for financial instruments as currently written. We understand that there have been significant comments covering a wide spectrum of views received with respect to financial instruments and leases. In certain circumstances, we believe these issues are significant enough to warrant re-exposing the proposed standard. Otherwise, final standards may be issued that will require subsequent changes and modifications, creating further disruption and additional cost for changes to financial systems and processes. We believe serious consideration should be given to deferring the targeted June 2011 date for final standards to allow appropriate time for re-deliberation and outreach.

The proposed changes to financial statement presentation are extremely pervasive and will have a significant impact on staffing and system requirements to prepare the new financial statements. In addition, SEC registrants will be required to update the XBRL tagging in their financial statements which will require additional time and resources. As well, users will need to be educated on the changes to the financial statements, to ensure financial results are not misinterpreted; thus limiting any adverse impacts on financial markets and the Company's affected by the proposed changes.

The current lease proposals require fundamental changes in lease accounting and it will take time for TransCanada to analyze and determine the impact to all existing and future contracts. Some minor to moderate system changes will also be required to implement this proposed standard.

The proposed changes to financial instruments are expected to have a less significant impact on TransCanada and primarily relates to valuation and presentation. However, it will take time to review the proposed guidance specifically relating to hedge accounting and analyze the impact to TransCanada's extensive hedging program.

There is expected to be a relatively limited immediate impact to TransCanada resulting from proposed changes to the following standards: other comprehensive income, fair value measurement, revenue recognition, netting financial instruments, consolidation: investment companies, financial instruments with characteristics of equity, and accounting for insurance contracts. However, as previously mentioned, many of these standards interrelate and it is important that the underlying principles are consistently applied.
Question 2

Focusing only on those proposals that have been published as Exposure Drafts (accounting for financial instruments, other comprehensive income, revenue recognition, and leases):

a) How much time will you need to learn about each proposal, appropriately train personnel, plan for, and implement or otherwise adapt to each new standard?

TransCanada will need a moderate amount of time and resources to adopt the relevant proposed standards. On preliminary review of the current proposals, TransCanada will be most impacted by the financial instruments and leases accounting proposals. Given limited resources combined with current efforts to prepare to adopt either IFRS or U.S. GAAP effective January 1, 2012, TransCanada proposes an effective date of no earlier than January 1, 2014 assuming that the proposals are issued in their final form in 2011. As a general approach, TransCanada would recommend that once a proposal is finalized, the effective date be two years subsequent to the year end in which the proposal was finalized (”two-year recommendation”). For example, under this two year recommendation, those standards finalized in 2011 would have an effective date of January 1, 2014; standards finalized in 2012 would have an effective date of January 1, 2015.

For TransCanada to address the proposed lease standard it will take a considerable amount of time as TransCanada will have to:

- Quantify all the lease assets and liabilities and the related revenue and expense streams.
- Estimate contingent rentals for which TransCanada would need to develop different models than currently exist.
- Assess all contracts for service components within existing leases.
- Address all implications regarding the remeasurement proposals on internal controls for SOX compliance and information system requirements.

The lease disclosure proposals will impact the accounting system requirements, requiring the ability to report reconciliations between opening and closing balances of lease assets and liabilities.

The most significant aspect to TransCanada of the proposed financial instruments standard is expected to be the proposed guidance on hedge accounting. It will take time to review and analyze the impact this portion of the standard will have on TransCanada’s hedging program.

The board’s proposals regarding other comprehensive income and revenue recognition are expected to have a less significant impact on TransCanada.

b) What are the types of costs you expect to incur in planning for and adopting the new requirements and what are the primary drivers of those costs? What is the relative significance of each cost component?

The types of costs that TransCanada would expect to incur in adopting the proposed standards include incremental internal personnel costs (for matters such as training, process development and testing financial reporting, investor relations, internal controls (SOX) and tax), costs to modify systems to capture the required information for accounting and reporting and external audit costs. The most significant costs will come from the
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modifications to the system to enable the tracking of the company’s current operating leases.

Question 3

Do you foresee other effects on the broader financial reporting system arising from these new standards? For example, will the new financial reporting requirement conflict with other regulatory or tax reporting requirements? Will they give rise to a need for changes in auditing standards?

As with the adoption of any new accounting standard, the adoption of these standards will have implications beyond accounting and reporting. Some of the proposals will have pervasive impacts on the operations and/or financial position of a company. For example, the lease proposals have changed the fundamentals of lease accounting. In addition, the expected proposals on financial statement presentation are pervasive and will significantly impact the way that financial information is presented in the financial statements. The user community (rating agencies, debt/equity analysts, and investors) will require education regarding these impacts.

Question 4

In the context of a broad implementation plan covering all the new requirements, do you agree with the transition method as proposed for each project? If not, what changes would you recommend and why? In particular, please explain the primary advantages of your recommended changes and their affect on the cost of adapting to the new reporting requirements.

TransCanada agrees with the transition provisions of retrospective application for accounting for financial instruments and financial statement presentation. We also recommend that FASB consider allowing the option for full retrospective adoption of the lease proposals. This will allow companies to assess their particular costs and/or benefits of full retrospective versus limited retrospective adoption. Full retrospective adoption will result in better comparability across entities of the impact of the lease proposals.

Question 5

In thinking about an overall implementation plan covering all of the standards that are the subject of this Discussion Paper:

a) Do you prefer the single date approach or the sequential approach? Why? What are the advantages and disadvantages of your preferred approach? How would your preferred approach minimize the cost of implementation or bring other benefits? Please describe the sources of those benefits (for example, economies of scale, minimizing disruption, or other synergistic benefits)

TransCanada recommends a variant of the sequential approach. Due to the number of current accounting standard proposals and the pervasive nature of the changes to financial statement presentation, we would prefer a staggered approach. We would recommend that the standards impacting measurement and recognition (“accounting proposals”) be the first to be adopted, effective January 1, 2014. Assuming the finalization of the proposed standards in 2011 and consistent with the two year recommendation discussed in question 2(a). Furthermore, we recommend the financial statement presentation changes proposal be implemented with a suggested effective date of January 1, 2016. This will separate the
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impact to the financial statements from the changes to accounting principles from the changes in presentation, thus mitigating the risk of confusion and misinterpretation of the financial results.

We have recommended an effective date of January 1, 2014 for the accounting proposals to become effective for the following reasons.

1) Resources – This will ease the burden on resources. Currently TransCanada is focused on adopting either U.S. GAAP or IFRS effective January 1, 2012. The above date will provide an opportunity to examine and implement the standards on a reasonable timeframe.

2) Convergence – It is important to consider the convergence effort with IFRS to ensure that these converged standards become effective at the same time, increasing global comparability among financial statements. There are many countries around the world that are adopting IFRS in 2011/2012. Both users and preparers would benefit from a period of minimal change while becoming more familiar with IFRS.

3) Comparative periods – Many of the standards that are included in the Discussion Paper have a proposed retrospective transition method. As an SEC registrant TransCanada is required to provide two years of comparative information, thus an effective date of 2014 requires restatement of 2013 and 2012 information. Some of the currently proposed standards require information that may not be currently available. As such, it would be more efficient to implement system requirements to begin gathering the required information at initial recording versus going back and generating the data after the fact. Also, many of the proposals included in the scope of the Discussion Paper are not in an Exposure Draft form, making it difficult for preparers to plan for potential data tracking resulting from requiring retrospective transition.

We have recommended January 1, 2016 as the effective date for the financial statement presentation for the following reasons.

1) Impacts on users – The proposed changes are pervasive to the way financial information is presented. A distinct date will aid in the education of users of the financial statements. They will have had time to be educated on and understand the impacts of the accounting changes, before requiring education on the new presentation of the financial information. This will limit the risk of confusion and misinterpretation of results, thus minimizing any adverse reaction in the market.

2) Impact on preparers – Preparers will be focused on the accounting changes effective 2014. In most cases, the same resources will be used when analyzing and implementing the presentation changes and required system changes. As an SEC registrant, the XBRL tagging will also require updating, adding additional work and time required for implementation.

If the above recommendation is not amenable to the FASB, TransCanada prefers the sequential approach as the single date approach has the following disadvantages:

1) Shock to the market – For those countries that adopted IFRS, the move was seen as positive. However, another comprehensive change could be viewed negatively, even potentially questioning the quality of IFRS. Also the fundamental and pervasive nature of some of the proposed changes will take time for the market to absorb.

2) Potential delay – If certain projects are delayed in the development stages, for a number of reasons including the significance of constituents' comments, it could then delay the adoption of other projects as well. We would encourage the FASB to continue
to perform the appropriate due diligence to achieve quality standards, however this could impact a potential effective date.

The benefit of the sequential approach, consistent with the variant two date approach is that it allows users to become more familiar with the changes over a period of time, thereby allowing the market to absorb the changes, reducing the risk of adverse impacts on the financial market.

b) **Under a single date approach, what should the mandatory effective date be and why?**

Some of the proposed changes are complex and some entities, if impacted by most of the proposed changes, may require more implementation time than TransCanada. In addition, given some countries are adopting IFRS in 2011/2012, a period of minimal changes in standards would be beneficial to both users and preparers. The earliest effective date should be 2015. Additional benefits are provided in our response to (a) above.

c) **Under the sequential approach, how should the new standards be sequenced (or grouped) and what should the mandatory effective dates for each group be?** Please explain the primary factors that drive your recommended adoption sequence, such as the impact of interdependencies among the new standards.

Due to the interaction of the financial instruments, leases and revenue recognition standards, it would be most efficient to align the effective dates of these standards. This will provide added efficiencies to preparers for training and system implementations. The effective date for changes to the financial statement presentation standard should be effective subsequent to the accounting changes to ease the burden on preparers' resources. Also, from a user and stakeholder perspective, this will allow adequate time for education of the proposed changes as well as familiarity on the accounting impacts before the structure of the financial statements changes.

d) **Do you think another approach would be viable and preferable? If so, please describe that approach and its advantages.**

We believe that a two date approach as described in (a) above would be preferable.

**Question 6**

**Should the Board give companies the option of adopting some or all of the new standards before their mandatory effective date? Why or why not? Which ones? What restrictions, if any, should there be on early adoption (for example, are there related requirements that should be adopted at the same time)?**

We believe the Boards should allow the option of adopting most of the new standards before their mandatory effective date with the exception of the financial statement presentation standard. Some may view certain accounting changes as advantageous if implemented early and should therefore have the option to early adopt the accounting standards. Historically when given the option, only a relatively few companies seem to have chosen to early adopt standards. Due to the fundamental and pervasive changes prescribed by the financial statement presentation proposals, upon adoption, most companies’ financial statements will be drastically different than prior to adoption. A potential negative impact of allowing the option to early adopt is the lack of
comparability among financial statements and therefore TransCanada is not recommending the option to early adopt the financial statement presentation proposals.

Question 7

For which standards, if any, should the Board provide particular types of entities a delayed effective date? How long should such a delay be and to which entities should it apply? What would be the primary advantages and disadvantages of the delay to each class of stakeholders (financial statement preparer, financial statement users, and auditors)? Should companies eligible for a delayed effective date have the option of adopting the requirements as of an earlier date?

TransCanada has no comments on this question.

Question 8

Should FASB and IASB require the same effective dates and transition methods for their comparable standards? Why or why not?

In order that the Boards continue on a path of convergence towards a single set of uniform accounting standards, we strongly believe that FASB and IASB should both require the same effective dates and transition methods. This will result in better comparability among companies' financial statements, thus easing the burden on users of the financial statements. It will also ease the burden on preparers, especially if they are reporting under different GAAPs at the parent/consolidated level versus a subsidiary level, as any implementation changes can be coordinated and planned, resulting in fewer revisions to the accounting systems.

Question 9

How does the Foundation’s ongoing evaluation of standards setting for private companies affect your views on the questions raised in this Discussion Paper?

TransCanada has no comments on this question.