



TransCanada Power, L.P. Announces Fourth Quarter Results

CALGARY, Alberta – February 7, 2005 (TSX: TPL.UN) - TransCanada Power Services Ltd., the general partner of TransCanada Power, L.P. (the Partnership), reported funds generated from operations of \$36.9 million and \$128.2 million for the fourth quarter and year ended December 31, 2004, respectively, compared to \$27.1 million and \$99.6 million for the same periods in 2003. The increases in funds generated from operations for the fourth quarter and year ended December 31, 2004 were primarily due to the acquisition of the Curtis Palmer and ManChief power plants on April 30, 2004 and the acquisition of the Mamquam and Queen Charlotte power plants on July 23, 2004. On a per unit basis, funds generated from operations for the fourth quarter ended December 31, 2004 increased \$0.09 per unit to \$0.78 per unit and increased \$0.34 per unit to \$2.87 per unit for the year ended December 31, 2004.

Net income was \$30.2 million or \$0.64 per unit and \$100.7 million or \$2.25 per unit for the fourth quarter and year ended December 31, 2004, respectively, compared to \$18.2 million or \$0.46 per unit and \$64.4 million or \$1.64 per unit for the same periods in 2003. The increases in net income for the fourth quarter and year ended December 31, 2004 were primarily due to \$11.5 million and \$31.9 million, respectively, of unrealized foreign exchange gains on the translation of the Partnership's US\$190.0 million of long-term debt. These unrealized foreign exchange gains did not impact funds generated from operations. Net income for the fourth quarter and year ended December 31, 2004 excluding these unrealized foreign exchange gains was \$18.7 million and \$68.8 million, respectively. The increases from the same periods in 2003 were primarily due to the four plants that were acquired in 2004.

Cash distributions were \$29.9 million or \$0.63 per unit were declared for the fourth quarter of 2004, after deducting a cash reserve of \$7.0 million, compared to \$24.8 million or \$0.63 per unit for the fourth quarter of 2003 after deducting a cash reserve of \$2.3 million. Throughout the year, the Partnership utilizes a cash reserve from available funds to stabilize quarterly cash distributions and to partially finance capital expenditures.

Operational and Financial Highlights <i>(unaudited)</i> <i>(millions of dollars except per unit and operational amounts)</i>	Three months ended December 31,		Year ended December 31,	
	2004	2003	2004	2003
Power Generated (GWh)	669	549	2,419	2,153
Weighted Average Plant Availability	98%	98%	97%	96%
Funds Generated from Operations	36.9	27.1	128.2	99.6
Per unit	\$0.78	\$0.69	\$2.87	\$2.53
Net Income	30.2	18.2	100.7	64.4
Per unit	\$0.64	\$0.46	\$2.25	\$1.64
Cash Distributions	29.9	24.8	114.4	99.1
Per unit	\$0.63	\$0.63	\$2.52	\$2.52
Weighted Average Units Outstanding	47.4	39.3	44.7	39.3

ACQUISITION OF CURTIS PALMER AND MANCHIEF POWER FACILITIES

On April 30, 2004, the Partnership acquired the 60 megawatt (MW) Curtis Palmer and the 300 MW ManChief power facilities from TransCanada Corporation (TransCanada) for total consideration of \$576.8 million after post-closing adjustments and acquisition costs. The acquisitions were primarily financed with the net proceeds of \$286.9 million from an offering of subscription receipts, subsequently converted into limited partnership units, and the issuance of US\$190.0 million of 5.9 per cent senior notes, due July 15, 2014.

ACQUISITION OF MAMQUAM AND QUEEN CHARLOTTE POWER FACILITIES

On July 23, 2004, the Partnership acquired companies that indirectly owned Hydro Investment Corporation (HIC) for approximately \$152.5 million, net of \$9.1 million of cash acquired on closing. The purchase price included the assumption of \$6.5 million of long-term debt, estimated post-closing adjustments of approximately \$0.8 million and acquisition costs of approximately \$5.0 million. Through the acquisition, the Partnership obtained ownership of two hydroelectric facilities in British Columbia, the Mamquam 50 MW facility and the Queen Charlotte 6 MW facility, which were owned by subsidiaries of HIC.

During the fourth quarter of 2004, a \$210 million, five year term credit facility was arranged with a syndicate of Canadian chartered banks. The effective interest rate after including forward hedging contracts is approximately 5.2 per cent. Proceeds were used to repay funds drawn on a short-term acquisition facility provided by two Canadian chartered banks that was used to initially finance the acquisition of the Mamquam and Queen Charlotte plants in the third quarter of 2004 as well as reduce the balance outstanding on the Partnership's third party operating line.

With these four acquisitions in 2004, the Partnership's generating capacity has increased from 328 MW to 744 MW. This increase is primarily due to the 300 MW ManChief plant which operates as a peaking facility, generating power primarily during peak power consumption periods.

RESULTS OF OPERATIONS

The Partnership reported funds generated from operations of \$36.9 million and \$128.2 million for the fourth quarter and year ended December 31, 2004, respectively, compared to \$27.1 million and \$99.6 million for the same periods in 2003. The increases in funds generated from operations for the fourth quarter and year ended December 31, 2004 were primarily due to the acquisition of the Curtis Palmer, ManChief, Mamquam and Queen Charlotte power plants. The consolidated financial statements of the Partnership for the year ended December 31, 2004 include eight months of results from the Curtis Palmer and ManChief plants and approximately five months of results from the Mamquam and Queen Charlotte plants.

Operating Margin (unaudited) (millions of dollars)	Three months ended December 31,		Year ended December 31,	
	2004	2003	2004	2003
Ontario	21.7	20.5	74.4	75.0
Williams Lake	5.1	5.7	23.9	25.4
Mamquam/Queen Charlotte ⁽¹⁾	2.1		3.4	
Curtis Palmer ⁽¹⁾	9.4		26.9	
ManChief ⁽¹⁾	5.1		13.0	
Castleton	2.0	2.5	8.2	8.8
	<u>45.4</u>	<u>28.7</u>	<u>149.8</u>	<u>109.2</u>

⁽¹⁾ From the dates of acquisition: Curtis Palmer/ManChief - April 30, 2004; Mamquam/Queen Charlotte - July 23, 2004.

Operating margin for the year ended December 31, 2004 of \$149.8 million was \$40.6 million higher than the \$109.2 million reported in the same period of 2003. The four plants acquired in 2004 contributed \$43.3 million to this increase, which was partially offset by decreases of \$0.6 million at the Ontario plants due to reduced self-curtailment opportunities, \$1.5 million at the Williams Lake plant due to higher fuel and maintenance costs and \$0.6 million at the Castleton plant due to the weakening of the U.S. dollar. Similarly, operating margin for the fourth quarter of 2004 of \$45.4 million was \$16.7 million higher than the \$28.7 million reported in 2003, primarily due to the four newly acquired plants.

The Partnership uses operating margin and funds generated from operations per unit as performance measures with respect to the plants and the Partnership. These terms are not defined financial measures according to Canadian generally accepted accounting principles (GAAP) and they do not have standardized meanings prescribed by GAAP. Therefore, these measures may not be comparable to similar measures presented by other enterprises.

Funds generated from operations per unit equals funds generated from operations divided by the weighted average number of units outstanding for the respective periods. Operating margin equals revenue less cost of fuel, operating and maintenance expense and other plant operating expenses:

(millions of dollars) (unaudited)	Three months ended December 31,		Year ended December 31,	
	2004	2003	2004	2003
Operating Margin	45.4	28.7	149.8	109.2
Other Costs	13.9	10.5	45.2	44.5
Net Income Before Tax	31.5	18.2	104.6	64.7

Revenues and Plant Output (unaudited)
(millions of dollars except GWh)

	Three months ended December 31,				Year ended December 31,			
	<i>GWh</i>	2004	<i>GWh</i>	2003	<i>GWh</i>	2004	<i>GWh</i>	2003
Ontario								
- Power	340	32.4	<i>358</i>	31.2	1,372	115.2	<i>1,395</i>	110.9
- Enhancements		2.8		0.5		11.4		15.3
		35.2		31.7		126.6		126.2
Williams Lake								
- Firm energy	75	5.3	<i>65</i>	5.3	445	32.0	<i>401</i>	31.4
- Excess energy/other	71	2.5	<i>80</i>	3.1	110	3.9	<i>123</i>	4.1
	146	7.8	<i>145</i>	8.4	555	35.9	<i>524</i>	35.5
Mamquam/Queen Charlotte ⁽²⁾	38	2.6			67	4.1		
Curtis Palmer ⁽²⁾	74	11.1			198	31.2		
ManChief ⁽²⁾	23	6.8			42	18.4		
Castleton	48	3.6	<i>46</i>	3.9	185	15.3	<i>234</i>	16.3
	669	67.1	<i>549</i>	44.0	2,419	231.5	<i>2,153</i>	178.0

Weighted Average Plant Availability ⁽¹⁾
(unaudited)

	Three months ended December 31,		Year ended December 31,	
	2004	2003	2004	2003
- Ontario Plants	97%	97%	98%	98%
- Williams Lake	99%	98%	96%	89%
- Mamquam/Queen Charlotte ^{(2) (3)}	74%		76%	
- Curtis Palmer ⁽²⁾	100%		94%	
- ManChief ⁽²⁾	100%		100%	
- Castleton	100%	100%	97%	96%

⁽¹⁾ Plant availability represents the percentage of time in the year that the plant is available to generate power, whether actually running or not, and is reduced by planned and unplanned outages.

⁽²⁾ From the date of acquisition.

⁽³⁾ The 50 MW Mamquam facility was unavailable for part of the fourth quarter due to a planned maintenance outage.

Revenues of \$67.1 million and \$231.5 million for the fourth quarter and year ended December 31, 2004, respectively, were \$23.1 million and \$53.5 million higher than the same periods in 2003. The Curtis Palmer, ManChief, Mamquam and Queen Charlotte plants contributed \$53.7 million of revenues which accounts for substantially all of the increase in 2004.

Revenues from the Ontario plants of \$35.2 million for the fourth quarter of 2004 were \$3.5 million higher than the same period last year. As a result of higher gas prices in the fourth quarter of 2004, compared to the fourth quarter of 2003, the Partnership had increased opportunities to self-curtail off-peak production and re-sell the unused natural gas at certain Ontario plants. For the year ended December 31, 2004, Ontario plant revenues of \$126.6 million were consistent with 2003.

Revenues at the Williams Lake plant consist of firm energy sales (including cost recovery components) and excess energy sales under the power sales contract with BC Hydro. Excess energy sales prices are based on the previous year's average market price. Firm energy revenues were \$5.3 million and \$32.0 million for the fourth quarter and year ended December 31, 2004, respectively, compared to \$5.3 million and \$31.4 million reported in the same periods of 2003. The year-over-year increase in firm energy revenue in 2004 reflects the impact of higher cost recoveries. Revenues from excess energy for the fourth quarter and year ended December 31, 2004 decreased compared to 2003 despite a higher market-based

excess energy price in 2004 (2004 - \$36 per MWh; 2003 - \$23 per MWh). The decrease in the fourth quarter of 2004 was due to a \$1.3 million business interruption insurance accrual at the end of 2003 which was paid in 2004.

Revenues at the Castleton plant of \$3.6 million and \$15.3 million for the fourth quarter and year ended December 31, 2004, respectively, were lower than the same periods in 2003 primarily due to a weaker U.S. dollar in 2004.

Cost of Fuel

Fuel costs, which include commodity price and transportation costs, of \$11.4 million and \$43.5 million for the fourth quarter and year ended December 31, 2004, respectively, were \$2.7 million and \$1.4 million higher than the same periods in 2003. The increases in fuel costs resulted from lower volumes of daily excess natural gas being diverted from certain Ontario plants and sold at market prices, which offset the cost of fuel.

Fuel costs at the Williams Lake plant increased in 2004 compared to 2003 due to wood waste being sourced from mills further away as well as paying a commodity charge on higher grade wood waste. The majority of the fuel costs related to firm energy production are recovered through the cost recovery mechanisms in the sales contract with BC Hydro. The Curtis Palmer, Mamquam and Queen Charlotte hydroelectric plants do not have any fuel costs, while the power buyer under the ManChief power purchase arrangement provides all the fuel requirements for that plant.

Operating and Maintenance Expense

Operating and maintenance expense is based on fixed fees, adjusted annually for inflation, payable to TransCanada for the operation and routine maintenance of the plants. Operating and maintenance expense of \$6.9 million and \$25.5 million for the fourth quarter and year ended December 31, 2004 increased by \$1.8 million and \$5.1 million, respectively, compared to the same periods in 2003. This increase was primarily a reflection of the new operating and maintenance fees for the Curtis Palmer, ManChief, Mamquam and Queen Charlotte plants.

Other Plant Operating Expenses

Other plant operating expenses, which include insurance, property taxes and major maintenance expenses, were \$3.4 million and \$12.7 million for the fourth quarter and year ended December 31, 2004, respectively, compared to \$1.5 million and \$6.3 million for the same periods in 2003. The increases were primarily due to the additional insurance costs and property taxes attributable to the plants acquired in 2004.

Depreciation and Amortization

Depreciation and amortization expense for the fourth quarter and year ended December 31, 2004 was \$15.5 million and \$55.0 million, respectively, compared to \$9.1 million and \$36.1 million for the same periods in 2003. The increase in depreciation expense was primarily due to the plants acquired in 2004.

Management and Administration

Management and administration costs, which include fees paid to TransCanada and general and administrative costs, were \$2.0 million and \$6.9 million for the fourth quarter and year ended December 31, 2004, respectively, compared to \$0.5 million and \$5.5 million for the same periods in 2003. Management fees, which are calculated based on the Partnership's total cash distributions, reflect higher aggregate distributions in 2004 as a result of new Partnership units issued during the year. General and administrative expenses for the fourth quarter and year ended December 31, 2004 were higher than the same periods in 2003 primarily due to the acquisitions in 2004.

Foreign Exchange Gains/Losses

The Partnership reported foreign exchange gains of \$10.5 million and \$30.8 million for the fourth quarter and year ended December 31, 2004, respectively. Foreign exchange gains and losses result from the translation of the Partnership's U.S. dollar-denominated monetary assets and liabilities. The foreign exchange gains in 2004 primarily reflect the Partnership's issuance of U.S. dollar-denominated debt in the second quarter and a subsequent weakening of the U.S. dollar.

Financial Charges and Other

Financial charges and other expenses of \$6.9 million and \$14.1 million for the fourth quarter and year ended December 31, 2004, respectively, increased compared to \$0.3 million and \$1.2 million for the same periods in 2003. Increased interest expense was due to debt financing raised to finance the Partnership's acquisition of the Curtis Palmer and ManChief plants on April 30, 2004 and the acquisition of the Mamquam and Queen Charlotte plants on July 23, 2004.

Income Taxes

Income taxes relate solely to the taxes of the Partnership's U.S. subsidiaries. Current income taxes of \$0.7 million and \$3.4 million for the fourth quarter and year ended December 31, 2004, respectively, were \$0.5 million and \$2.2 million higher than the same periods in 2003. The year-over-year increase in current income taxes is due to increased taxable income from the Partnership's U.S. corporate entities acquired in 2004. Future income tax expense of \$0.6 million and \$0.5 million for the fourth quarter and year ended December 31, 2004, respectively, was \$0.8 million and \$1.4 million higher than the same periods in 2003, primarily due to the acquisition of the Curtis Palmer and ManChief plants in 2004.

Net Income

The Partnership reported net income of \$30.2 million or \$0.64 per unit and \$100.7 million or \$2.25 per unit for the fourth quarter and year ended December 31, 2004, respectively, compared to \$18.2 million or \$0.46 per unit and \$64.4 million or \$1.64 per unit for the same periods in 2003. The increases in net income were primarily due to the plants acquired in 2004 and foreign exchange gains related to the Partnership's U.S. dollar-denominated debt, partially offset by interest expense on new debt.

LIQUIDITY AND CAPITAL RESOURCES

Cash Distributions

Cash distributions for the fourth quarter and year ended December 31, 2004 were \$29.9 million or \$0.63 per unit and \$114.4 million or \$2.52 per unit, respectively. Cash distributions for the fourth quarter and year ended December 31, 2004 were based on funds generated from operations of \$36.9 million less a cash reserve of \$7.0 million and funds generated from operations of \$128.2 million less a cash reserve of \$13.8 million, respectively. Although 2004 cash distributions of \$0.63 per unit remained constant with 2003, total cash distributions increased by \$15.3 million due to the increased number of units. Throughout the year, the Partnership utilizes a cash reserve from available funds to stabilize quarterly cash distributions and to partially finance capital expenditures. On an annual basis, the Partnership uses undistributed cash to satisfy current and anticipated obligations, which will include all or a portion of capital expenditures.

The fourth quarter 2004 cash distribution of \$0.63 per unit was paid on January 28, 2005, to unitholders of record on December 31, 2004.

Capital Expenditures

Capital expenditures for the year ended December 31, 2004 totaled \$14.6 million. Expenditures included approximately \$6.0 million related to parts purchased for an overhaul at the ManChief plant which is scheduled for completion in 2006. The remaining capital expenditures consisted of plant upgrades, reliability and safety controls, maintenance capital and equipment overhauls at each of the plants.

Financing Activities

In November 2004, the Partnership arranged \$210.0 million of five-year, non-amortizing debt through a credit facility with a syndicate of Canadian banks. The proceeds were used for general Partnership purposes and to repay the \$188.0 million outstanding under the \$500 million acquisition facility and reduce the balance outstanding on the Partnership's third-party operating line. Concurrent with the refinancing, the \$500 million acquisition facility was cancelled. The effective interest rate after including the forward hedging contracts is approximately 5.2 per cent.

CONSOLIDATED INCOME

	Three months ended December 31,		Year ended December 31,	
	2004	2003	2004	2003
<i>(millions of dollars except per unit amounts)</i>	unaudited		unaudited	
Revenues	67.1	44.0	231.5	178.0
Cost of Fuel	11.4	8.7	43.5	42.1
Operating and Maintenance Expense	6.9	5.1	25.5	20.4
Other Plant Operating Expenses	3.4	1.5	12.7	6.3
	45.4	28.7	149.8	109.2
Other Costs				
Depreciation and amortization	15.5	9.1	55.0	36.1
Management and administration	2.0	0.5	6.9	5.5
Foreign exchange (gains)/losses	(10.5)	0.6	(30.8)	1.7
Financial charges and other	6.9	0.3	14.1	1.2
	13.9	10.5	45.2	44.5
Net Income Before Income Tax	31.5	18.2	104.6	64.7
Income Tax				
Current	0.7	0.2	3.4	1.2
Future	0.6	(0.2)	0.5	(0.9)
	1.3	-	3.9	0.3
Net Income	30.2	18.2	100.7	64.4
Net Income Per Unit	\$0.64	\$0.46	\$2.25	\$1.64
Weighted Average Units Outstanding (millions)	47.4	39.3	44.7	39.3

CONSOLIDATED CASH FLOW

<i>(millions of dollars)</i>	Three months ended December 31,		Year ended December 31,	
	2004	2003	2004	2003
	unaudited		unaudited	
Cash Generated from Operations				
Net income	30.2	18.2	100.7	64.4
Depreciation and amortization	15.5	9.1	55.0	36.1
Future income tax	0.6	(0.2)	0.5	(0.9)
Foreign exchange gains on U.S. dollar debt	(11.5)	-	(31.9)	-
Other	2.1	-	3.9	-
Funds generated from operations	36.9	27.1	128.2	99.6
Increase/(decrease) in operating working capital	4.4	(2.7)	15.4	16.2
Net cash provided by operating activities	41.3	24.4	143.6	115.8
Investing Activities				
Acquisition of Curtis Palmer and ManChief power plants	0.7	-	(576.8)	-
Acquisition of Mamquam and Queen Charlotte power plants (net of cash acquired)	0.4	-	(152.5)	-
Capital expenditures	(3.8)	(1.8)	(14.6)	(8.2)
Net cash used in investing activities	(2.7)	(1.8)	(743.9)	(8.2)
Financing Activities				
Distributions paid	(29.9)	(24.8)	(109.3)	(99.1)
Decrease in third party operating line	(15.0)	-	-	-
Repayment of TransCanada operating line	-	2.5	(26.0)	(10.5)
Credit facility drawn	-	-	188.0	-
Credit facility repaid	(188.0)	-	(188.0)	-
Short-term U.S. dollar debt issued	-	-	529.9	-
Short-term U.S. dollar debt repaid	-	-	(524.6)	-
Long-term Canadian dollar credit facility drawn	210.0	-	210.0	-
Long-term U.S. dollar debt issued	-	-	255.2	-
Deferred financing costs	(1.4)	-	(5.3)	-
Limited partner units issued, net	-	-	286.9	-
Net cash (used in)/provided by financing activities	(24.3)	(22.3)	616.8	(109.6)
Increase/(Decrease) in Cash and Short-Term Investments	14.3	0.3	16.5	(2.0)
Cash and Short-Term Investments, Beginning of Period	5.9	3.4	3.7	5.7
Cash and Short-Term Investments, End of Period	20.2	3.7	20.2	3.7
Supplementary Cash Flow Information				
Income taxes paid	2.0	0.3	3.4	0.9
Interest paid	1.7	0.4	4.8	1.5

CONSOLIDATED BALANCE SHEET

<i>(millions of dollars)</i>	December 31, 2004 unaudited	December 31, 2003
ASSETS		
Current Assets		
Cash and short-term investments	20.2	3.7
Accounts receivable	27.3	14.7
Inventories	7.2	7.9
Prepays and other	4.2	1.8
	<u>58.9</u>	<u>28.1</u>
Plant, Property and Equipment	902.4	573.5
Power Purchase Arrangements	371.4	-
Future Income Taxes	2.4	3.1
Other Assets	11.3	-
	<u>1,346.4</u>	<u>604.7</u>
LIABILITIES AND PARTNERS' EQUITY		
Current Liabilities		
Operating line	-	26.0
Accounts payable	28.0	6.5
Distributions payable	29.9	24.8
Long-term debt due within one year	0.8	-
	<u>58.7</u>	<u>57.3</u>
Asset Retirement Obligations	16.0	-
Long-Term Debt	444.4	-
Deferred Amounts	6.7	-
Partners' Equity	820.6	547.4
	<u>1,346.4</u>	<u>604.7</u>

CONSOLIDATED PARTNERS' EQUITY

<i>(millions of dollars)</i>	2004 unaudited	2003
Balance, Beginning of Period	547.4	582.1
Limited Partner Units Issued, Net	286.9	-
Net Income	100.7	64.4
Cash Distributions	(114.4)	(99.1)
Balance, End of Period	<u>820.6</u>	<u>547.4</u>

Cash Distributions

The amount of cash distributions to be distributed quarterly is based on the amount of funds generated from operations plus or minus any cash reserve. Under the Partnership Agreement, the Board of Directors of the General Partner has the authority to establish cash reserves that are determined to be necessary to satisfy the Partnership's current and anticipated obligations which will include all or a portion of capital expenditures or to normalize quarterly distributions of cash to unitholders.

	Three months ended December 31,		Year ended December 31,	
	2004	2003	2004	2003
	unaudited		unaudited	
<i>(millions of dollars except per unit amounts)</i>				
Funds Generated From Operations	36.9	27.1	128.2	99.6
Cash Reserve	(7.0)	(2.3)	(13.8)	(0.5)
Cash Distributions	29.9	24.8	114.4	99.1
Cash Distributions Per Unit	\$0.63	\$0.63	\$2.52	\$2.52

FORWARD-LOOKING INFORMATION

Certain information in this news release is forward-looking and is subject to important risks and uncertainties. The results or events predicted in this information may differ from actual results or events. Factors which could cause actual results or events to differ materially from current expectations include, among other things, the ability of the Partnership to successfully implement its strategic initiatives and whether such strategic initiatives will yield the expected benefits, the availability and price of energy commodities, plant availability and water flows, regulatory decisions, competitive factors in the power industry, and the current economic conditions in North America. For additional information on these and other factors, see the reports filed by the Partnership with Canadian securities regulators. The Partnership disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

For further information on the Partnership visit the Internet at www.transcanada-powerlp.com or contact:

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