



TransCanada Power, L.P. Announces 2005 Second Quarter Results

CALGARY, Alberta – July 26, 2005 (TSX: TPL.UN) - TransCanada Power Services Ltd., the general partner of TransCanada Power, L.P. (the Partnership), reported funds generated from operations of \$37.1 million or \$0.78 per unit and \$78.7 million or \$1.66 per unit for the three and six months ended June 30, 2005, respectively, compared to \$29.9 million or \$0.66 per unit and \$59.2 million or \$1.41 per unit for the same periods in 2004. The increases in funds generated from operations in total and on a per unit basis for the three and six months ended June 30, 2005 were primarily due to the acquisitions of the Curtis Palmer and ManChief plants on April 30, 2004 and the Mamquam and Queen Charlotte plants on July 23, 2004.

Net income was \$15.5 million or \$0.33 per unit and \$37.3 million or \$0.79 per unit for the three and six months ended June 30, 2005, respectively, compared to \$21.3 million or \$0.48 per unit and \$41.4 million or \$0.99 per unit for the same periods in 2004. The decreases in net income for the three and six months ended June 30, 2005 were primarily due to unrealized foreign exchange losses on translation of the Partnership's U.S. dollar-denominated debt in 2005 compared to unrealized foreign exchange gains reported in the same periods of 2004. These changes in foreign exchange gains/losses resulted in an \$8.9 million (\$0.20 per unit) and \$10.0 million (\$0.23 per unit) decrease in net income for the three and six months ended June 30, 2005, respectively, and are partially offset by operating margin from the four plants acquired in 2004.

Cash distributions of \$29.8 million or \$0.63 per unit were declared for the second quarter of 2005, consistent with the same period in 2004. Throughout the year, the Partnership utilizes funds generated from operations in excess of cash distributions to stabilize future quarterly cash distributions and to partially finance capital expenditures.

Operational and Financial Highlights

(unaudited)

(millions of dollars except per unit and operational amounts)

	Three months ended June 30,		Six months ended June 30,	
	2005	2004	2005	2004
Power Generated (GWh)	723	536	1,420	1,108
Weighted Average Plant Availability ⁽¹⁾	87%	96%	92%	97%
Funds Generated from Operations	37.1	29.9	78.7	59.2
Per unit	\$0.78	\$0.66	\$1.66	\$1.41
Net Income	15.5	21.3	37.3	41.4
Per unit	\$0.33	\$0.48	\$0.79	\$0.99
Cash Distributions	29.8	29.8	59.7	54.6
Per unit	\$0.63	\$0.63	\$1.26	\$1.26
Weighted Average Units Outstanding	47.4	44.7	47.4	42.0

(1) See details under Management's Discussion and Analysis.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's discussion and analysis (MD&A), dated July 26, 2005, should be read in conjunction with the accompanying unaudited consolidated financial statements of the Partnership for the three and six months ended June 30, 2005 and should also be read in conjunction with the audited consolidated financial statements and MD&A contained in the Partnership's 2004 annual report for the year ended December 31, 2004. Additional information relating to the Partnership, including the Partnership's Annual Information Form and continuous disclosure documents, is available on SEDAR at www.sedar.com under TransCanada Power, L.P.

RESULTS OF OPERATIONS

The Partnership reported funds generated from operations of \$37.1 million or \$0.78 per unit and \$78.7 million or \$1.66 per unit for the three and six months ended June 30, 2005, respectively, compared to \$29.9 million or \$0.66 per unit and \$59.2 million or \$1.41 per unit for the same periods in 2004. The increases in funds generated from operations in total and on a per unit basis for the three and six months ended June 30, 2005 were primarily due to the acquisitions of the Curtis Palmer and ManChief plants on April 30, 2004 and the Mamquam and Queen Charlotte plants on July 23, 2004.

Operating Margin <i>(millions of dollars) (unaudited)</i>	Three months ended June 30,		Six months ended June 30,	
	2005	2004	2005	2004
Ontario	16.3	16.2	38.2	38.1
Williams Lake	4.9	4.8	11.9	11.8
Mamquam/Queen Charlotte	5.1	-	7.8	-
Curtis Palmer	13.2	7.4	24.7	7.4
ManChief	5.1	3.1	9.6	3.1
Castleton	2.0	2.0	4.0	4.2
	46.6	33.5	96.2	64.6

Operating margin of \$46.6 million for the three months ended June 30, 2005 was \$13.1 million higher than the same period of 2004. For the six months ended June 30, 2005, operating margin of \$96.2 million was \$31.6 million higher than the same period of 2004. The four plants acquired in 2004 contributed \$12.9 million and \$31.6 million to these increases, respectively, for the three and six months ended June 30, 2005. Operating margin for the three and six months ended June 30, 2005 for the Ontario, Williams Lake and Castleton plants was consistent with the same periods in 2004.

Non-GAAP Measures

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:

<i>(millions of dollars) (unaudited)</i>	Three months ended June 30,		Six months ended June 30,	
	2005	2004	2005	2004
Operating Margin	46.6	33.5	96.2	64.6
Other Costs	27.8	10.9	53.8	21.8
Net Income Before Income Tax	18.8	22.6	42.4	42.8

Revenues and Plant Output

(millions of dollars except GWh)

(unaudited)

	Three months ended June 30,				Six months ended June 30,			
	<i>GWh</i>	2005	<i>GWh</i>	2004	<i>GWh</i>	2005	<i>GWh</i>	2004
Ontario								
- Power	332	25.9	344	25.6	679	60.1	705	58.6
- Enhancements		3.7		3.1		6.6		6.2
- Gas diversions		3.3		3.2		4.4		4.9
		32.9		31.9		71.1		69.7
Williams Lake								
- Firm energy	113	8.2	110	8.2	241	17.4	239	17.6
- Excess energy	10	0.4	12	0.5	23	0.9	27	1.0
	123	8.6	122	8.7	264	18.3	266	18.6
Mamquam/Queen Charlotte ^{(2) (3)}	106	5.5	n/a	n/a	159	8.9	n/a	n/a
Curtis Palmer ⁽²⁾	95	14.9	51	8.5	178	28.1	51	8.5
ManChief ^{(2) (4)}	9	6.5	-	4.7	13	12.7	-	4.7
Castleton	58	3.9	19	4.0	127	7.7	86	7.9
	723	72.3	536	57.8	1,420	146.8	1,108	109.4

Weighted Average Plant Availability⁽¹⁾

(unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2005	2004	2005	2004
Ontario Plants	96%	98%	98%	98%
Williams Lake	87%	86%	94%	93%
Mamquam/Queen Charlotte ^{(2) (3)}	98%	n/a	89%	n/a
Curtis Palmer ⁽²⁾	97%	97%	99%	97%
ManChief ^{(2) (4)}	74%	100%	87%	100%
Castleton	87%	86%	93%	93%

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

(2) From the dates of acquisition: Curtis Palmer and ManChief – April 30, 2004; Mamquam and Queen Charlotte – July 23, 2004.

(3) The 50 MW Mamquam facility was unavailable for part of the first quarter of 2005 due to a planned maintenance outage.

(4) The 300 MW ManChief facility was unavailable for part of the second quarter of 2005 due to a planned maintenance outage.

Revenues of \$72.3 million and \$146.8 million for the three and six months ended June 30, 2005, respectively, were \$14.5 million and \$37.4 million higher than the same periods in 2004. The increases in revenues were primarily due to the acquisitions of the Curtis Palmer, ManChief, Mamquam and Queen Charlotte plants in 2004.

Power sales at the Ontario plants of \$25.9 million and \$60.1 million for the three and six months ended June 30, 2005, respectively, were \$0.3 million and \$1.5 million higher than the same periods in 2004

primarily due to contractual price increases in the power purchase arrangements (PPAs). Enhancement revenues reflect decisions by the Manager to voluntarily curtail power production in favour of selling the unused natural gas at prevailing market prices. This is normally done in off-peak hours when contracted power prices are lower. Gas diversions occur when the Partnership sells gas in excess of daily plant requirements in situations other than voluntary curtailment. This occurs primarily during planned and unplanned outages. Enhancement revenues for the three and six months ended June 30, 2005 were higher due to higher market prices for natural gas in the second quarter of 2005.

Revenues at the Williams Lake plant consist of firm energy sales, cost recovery components and excess energy sales under the PPAs with BC Hydro. Firm revenues of \$17.4 million for the six months ended June 30, 2005 were slightly below the \$17.6 million reported in the same period in 2004.

The Mamquam and Queen Charlotte plants, which were acquired in the third quarter of 2004, reported revenues of \$5.5 million and \$8.9 million for the three and six months ended June 30, 2005, respectively. For the three months ended June 30, 2005, revenues for the Curtis Palmer and ManChief plants, acquired in the second quarter of 2004, were \$14.9 million and \$6.5 million, respectively, compared to \$8.5 million and \$4.7 million for the same period in 2004. The second quarter increase for each plant was primarily due to a full quarter of ownership in 2005. Revenues for the Curtis Palmer and ManChief plants were \$28.1 million and \$12.7 million, respectively, for the six months ended June 30, 2005 compared to \$8.5 million and \$4.7 million for the same period in 2004.

Revenues at the Castleton plant of \$3.9 million and \$7.7 million for the three and six months ended June 30, 2005 were slightly lower than the same period in 2004.

Cost of Fuel

Fuel costs, which include commodity price and transportation costs, were \$14.5 million and \$28.5 million for the three and six months ended June 30, 2005, respectively, compared to \$14.0 million and \$27.5 million for the same periods in 2004. The slight increases in fuel costs resulted primarily from contractual increases for the Ontario plants, partially offset by lower fuel costs at the Williams Lake plant. Fuel costs at the Castleton plant for the three and six months ended June 30, 2005 were consistent with the same periods in 2004. The Curtis Palmer, Mamquam and Queen Charlotte hydroelectric plants do not have fuel costs. The power buyer under the ManChief PPA provides all the fuel requirements for that plant; however the Partnership is obligated to pay for demand charges associated with the transportation of natural gas to the facility.

Operating and Maintenance Expense

Operating and maintenance expense is based on fixed fees, adjusted annually for inflation, payable to TransCanada Corporation (TransCanada) for the operation and routine maintenance of the plants. Operating and maintenance expense of \$7.0 million and \$14.0 million for the three and six months ended June 30, 2005, respectively, increased by \$0.7 million and \$2.3 million compared to the same periods in 2004. These increases were primarily a reflection of the operating and maintenance fees for the Curtis Palmer, ManChief, Mamquam and Queen Charlotte plants which were acquired in 2004.

Other Plant Operating Expenses

Other plant operating expenses, which include insurance, property taxes and major maintenance expenses, were \$4.2 million and \$8.1 million for the three and six months ended June 30, 2005, respectively, compared to \$4.0 million and \$5.6 million for the same periods in 2004. The increases were primarily due to the additional insurance and property taxes attributable to the plants acquired in 2004.

Depreciation and Amortization

Depreciation and amortization expense for the three and six months ended June 30, 2005 was \$16.5 million and \$33.0 million, respectively, compared to \$13.8 million and \$23.0 million for the same

periods in 2004. The increases in depreciation and amortization expense were primarily due to the plants and associated PPAs acquired in 2004.

Management and Administration

Management and administration costs, which include fees paid to TransCanada and general and administrative costs, were \$0.8 million and \$1.0 million higher for the three and six months ended June 30, 2005, respectively, compared to the same periods in 2004 primarily due to higher costs associated with an increased number of plants.

Foreign Exchange Gains/Losses

The Partnership reported foreign exchange losses of \$2.8 million for the three months ended June 30, 2005 compared to foreign exchange gains of \$5.9 million for the same period in 2004. Similarly, foreign exchange losses of \$4.1 million were reported for the six months ended June 30, 2005 compared to foreign exchange gains of \$6.1 million for the same period in 2004. Foreign exchange gains and losses result from the translation of the Partnership's U.S. dollar-denominated monetary assets and liabilities. The foreign exchange losses reported in 2005 were almost entirely related to the translation of the Partnership's U.S. dollar-denominated debt and a strengthening of the U.S. dollar since December 31, 2004.

Financial Charges and Other

Financial charges and other expenses of \$6.3 million and \$12.7 million for the three and six months ended June 30, 2005, respectively, were \$4.7 million and \$10.8 million higher compared to the same periods in 2004. The increases in financial charges resulted from interest expense on long-term debt issued by the Partnership in 2004 to fund plant acquisitions.

Income Taxes

Income taxes relate solely to the taxes of the Partnership's U.S. subsidiaries. Current income taxes for the three and six months ended June 30, 2005 were \$2.6 million and \$3.7 million, respectively, compared to \$1.2 million and \$1.5 million for the same periods in 2004. Future income tax expense for the three and six months ended June 30, 2005 of \$0.7 million and \$1.4 million increased by \$0.6 million and \$1.5 million compared to the same periods in 2004. The increases in current and future income tax expense were primarily due to increased income from the Partnership's U.S. power plants acquired in the second quarter of 2004.

Net Income

Net income was \$15.5 million or \$0.33 per unit and \$37.3 million or \$0.79 per unit for the three and six months ended June 30, 2005, respectively, compared to \$21.3 million or \$0.48 per unit and \$41.4 million or \$0.99 per unit for the same periods in 2004. The decreases in net income for the three and six months ended June 30, 2005 were primarily due to unrealized foreign exchange losses on translation of the Partnership's U.S. dollar-denominated debt in 2005 compared to unrealized foreign exchange gains reported in the same periods of 2004. These changes in foreign exchange gains/losses resulted in an \$8.9 million (\$0.20 per unit) and \$10.0 million (\$0.23 per unit) decrease in net income for the three and six months ended June 30, 2005, respectively, and are partially offset by operating margin from the four plants acquired in 2004.

LIQUIDITY AND CAPITAL RESOURCES

Cash Distributions

Cash distributions of \$0.63 per unit were declared for the first and second quarters of 2005, respectively, consistent with the same periods in 2004. Throughout the year, the Partnership utilizes funds generated

from operations in excess of cash distributions to stabilize future quarterly cash distributions and to partially finance capital expenditures.

The second quarter 2005 cash distribution of \$0.63 per unit will be paid on July 29, 2005 to unitholders of record on June 30, 2005.

Capital Expenditures

Capital expenditures for the six months ended June 30, 2005 totaled \$3.1 million and consisted of plant improvements.

FOREIGN EXCHANGE RISK MANAGEMENT

The Partnership manages the foreign exchange risk of its future anticipated U.S. dollar-denominated cash flows from its U.S. plants through the use of forward foreign exchange contracts for periods up to six years. As at June 30, 2005, US\$88.4 million of future cash flows were hedged for 2005 to 2011 at a weighted average exchange rate of 1.35.

TRANSACTIONS WITH RELATED PARTIES

<i>(millions of dollars) (unaudited)</i>	Three months ended June 30,		Six months ended June 30,	
	2005	2004	2005	2004
Revenues				
Castleton - capacity payments	3.7	4.0	7.4	7.9
Ontario - enhancement revenues	3.7	3.1	6.6	6.2
Ontario - gas diversion sales	3.3	3.2	4.4	4.9
Ontario - Calstock guarantee fee	0.8	0.8	1.7	1.2
	<u>11.5</u>	<u>11.1</u>	<u>20.1</u>	<u>20.2</u>
Cost of Fuel				
Ontario - gas fuel supply	6.1	5.5	11.8	11.1
Ontario - gas transportation	2.8	3.0	5.6	6.0
Ontario - waste heat	0.2	0.1	0.3	0.2
Castleton - gas demand charge	0.6	0.6	1.2	1.2
	<u>9.7</u>	<u>9.2</u>	<u>18.9</u>	<u>18.5</u>
Operating and Maintenance Expense	<u>7.0</u>	<u>6.3</u>	<u>14.0</u>	<u>11.7</u>
Management and Administration				
Base fee	0.3	0.3	0.6	0.6
Incentive fee	0.5	0.5	1.0	0.9
Enhancement fee	0.5	0.5	0.8	0.9
	<u>1.3</u>	<u>1.3</u>	<u>2.4</u>	<u>2.4</u>
Acquisition Fee	<u>-</u>	<u>5.8</u>	<u>-</u>	<u>5.8</u>
Interest Expense				
Operating line	-	0.4	-	0.7
Promissory notes	-	0.7	-	0.7
	<u>-</u>	<u>1.1</u>	<u>-</u>	<u>1.4</u>

CONTRACTUAL OBLIGATIONS

Under the terms of the long-term debt with a syndicate of Canadian chartered banks, the Partnership must maintain a debt-to-capitalization ratio which does not exceed 60 per cent at the end of each fiscal quarter and an interest-coverage ratio which is no less than 2.5 at the end of each fiscal quarter. Similarly, under the terms of the operating line, the Partnership must not exceed a debt-to-earnings before interest, taxes, depreciation and amortization (EBITDA) ratio of 3.25 and meet an interest coverage ratio of 2.5 or greater at the end of each fiscal quarter. As at June 30, 2005, the Partnership was in compliance with all of these covenants.

There have been no material changes to the Partnership's purchase obligations, including payments for the next five years and thereafter, since December 31, 2004. For further information on these obligations, refer to the MD&A in the Partnership's 2004 Annual Report.

SIGNIFICANT ACCOUNTING ESTIMATE

Since a determination of many assets, liabilities, revenues and expenses is dependent upon future events, the preparation of the Partnership's Consolidated Financial Statements requires the use of estimates and assumptions which have been made using careful judgment. The Partnership's critical accounting estimate continues to be depreciation expense. For further information on the Partnership's critical accounting estimates, refer to the MD&A in the Partnership's 2004 Annual Report.

OUTLOOK

The Partnership and the Canadian Union of Skilled Workers – British Columbia entered into a new collective bargaining agreement for the Williams Lake plant which was ratified by both parties on June 24, 2005. The terms of the agreement are effective from January 1, 2004 through to December 31, 2007.

On May 17, 2005, the Partnership announced that TransCanada and EPCOR Utilities Inc. (EPCOR) had entered into an agreement for EPCOR to acquire TransCanada's interest in the Partnership. The transaction has been approved by the Boards of each of TransCanada, EPCOR and the Partnership, and is expected to close in the third quarter of 2005, subject to the receipt of regulatory approvals.

TransCanada will continue to operate and maintain the Partnership's power plants until closing. TransCanada has agreed to provide operations and support services to EPCOR and the Partnership during a transition period following closing so as to facilitate an orderly transfer of operations and management functions for the Partnership.

The outlook for the Partnership's business is substantially unchanged since December 31, 2004. For further information on the outlook, refer to the MD&A in the Partnership's 2004 Annual Report.

BUSINESS RISKS

The Partnership's business and operational risks, including the legal actions commenced by NAL Resources Limited and Devon Canada Corporation in 2004, remain substantially unchanged since December 31, 2004. For further information on business risks, refer to the MD&A in the Partnership's 2004 Annual Report.

SELECTED QUARTERLY CONSOLIDATED FINANCIAL DATA

<i>(unaudited)</i>	2005			2004			2003	
<i>(millions of dollars except per unit amounts)</i>	Second	First	Fourth	Third	Second	First	Fourth	Third
Revenues	72.3	74.5	69.0	63.4	57.8	51.6	47.6	43.2
Net Income	15.5	21.8	30.2	29.1	21.3	20.1	18.2	13.2
Funds Generated from Operations	37.1	41.6	36.9	32.1	29.9	29.3	27.1	22.1
Cash Distributions	29.8	29.9	29.9	29.9	29.8	24.8	24.8	24.8
Per Unit Statistics								
Net Income	\$0.33	\$0.46	\$0.64	\$0.61	\$0.48	\$0.51	\$0.46	\$0.34
Funds Generated from Operations	\$0.78	\$0.88	\$0.78	\$0.68	\$0.66	\$0.75	\$0.69	\$0.56
Cash Distributions	\$0.63	\$0.63	\$0.63	\$0.63	\$0.63	\$0.63	\$0.63	\$0.63

Factors Impacting Quarterly Financial Information

Quarterly revenues, net income and funds generated from operations are affected by seasonal contract pricing, seasonal weather conditions, fluctuations in U.S. dollar exchange rates, attainment of firm energy requirements, and planned and unplanned plant outages, as well as items outside of the normal course of operations. Quarterly net income is affected by unrealized foreign exchange gains and losses on the Partnership's U.S. dollar-denominated long-term debt. Revenues, net income and funds generated from operations from the Partnership's Ontario plants are generally higher in the winter months (October to March) and lower in the summer months (April to September) due to seasonal pricing under the PPAs. Revenues and net income from the Partnership's hydroelectric plants are generally higher in the spring months due to seasonally higher water flows.

Significant items which impacted the last eight quarters' net income were as follows:

- In the second quarter of 2004, the Partnership acquired the Curtis Palmer and ManChief power facilities from TransCanada, resulting in increased revenues and net income. The Partnership also issued U.S. dollar-denominated debt in the second quarter of 2004. This resulted in unrealized foreign exchange gains and losses for subsequent quarters due to fluctuations in the U.S. dollar.
- In the third quarter of 2004, the Partnership acquired the Mamquam and Queen Charlotte power facilities resulting in increased revenues and net income.

QUARTERLY UNIT TRADING INFORMATION

The Partnership units trade on the Toronto Stock Exchange under the symbol TPL.UN.

For the three months ended <i>(unaudited)</i>	Jun. 30 2005	Mar. 31 2005	Dec. 31 2004	Sep. 30 2004	Jun. 30 2004	Mar. 31 2004
Unit Price						
High	\$37.06	\$35.90	\$36.00	\$34.74	\$36.85	\$38.00
Low	\$33.15	\$31.60	\$32.10	\$31.00	\$29.62	\$35.16
Close	\$36.60	\$33.60	\$35.50	\$33.40	\$31.29	\$36.85
Volume traded (millions)	3.7	3.5	2.9	4.5	5.8	2.6

As at June 30, 2005, the Partnership had 47,421,982 units outstanding. The weighted average number of units outstanding for the three and six months ended June 30, 2005 was 47.4 million compared to 44.7 million and 42.0 million for the same periods in 2004.

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.

CONSOLIDATED INCOME

<i>(unaudited)</i>	Three months ended June 30,		Six months ended June 30,	
<i>(millions of dollars except per unit amounts)</i>	2005	2004	2005	2004
Revenues	72.3	57.8	146.8	109.4
Cost of Fuel	14.5	14.0	28.5	27.5
Operating and Maintenance Expense	7.0	6.3	14.0	11.7
Other Plant Operating Expenses	4.2	4.0	8.1	5.6
	46.6	33.5	96.2	64.6
Other Costs				
Depreciation and amortization	16.5	13.8	33.0	23.0
Management and administration	2.2	1.4	4.0	3.0
Foreign exchange losses/(gains)	2.8	(5.9)	4.1	(6.1)
Financial charges and other	6.3	1.6	12.7	1.9
	27.8	10.9	53.8	21.8
Net Income Before Income Tax	18.8	22.6	42.4	42.8
Income Tax				
Current	2.6	1.2	3.7	1.5
Future	0.7	0.1	1.4	(0.1)
	3.3	1.3	5.1	1.4
Net Income	15.5	21.3	37.3	41.4
Net Income Per Unit	\$0.33	\$0.48	\$0.79	\$0.99
Weighted Average Units Outstanding (millions)	47.4	44.7	47.4	42.0

See accompanying notes to the Consolidated Financial Statements.

CONSOLIDATED CASH FLOW

<i>(unaudited)</i> <i>(millions of dollars except per unit amounts)</i>	Three months ended June 30,		Six months ended June 30,	
	2005	2004	2005	2004
Cash Generated from Operations				
Net income	15.5	21.3	37.3	41.4
Depreciation and amortization	16.5	13.8	33.0	23.0
Future income tax	0.7	0.1	1.4	(0.1)
Foreign exchange losses/(gains) on U.S. dollar debt	3.1	(5.8)	4.2	(5.8)
Other	1.3	0.5	2.8	0.7
Funds generated from operations	37.1	29.9	78.7	59.2
Decrease/(increase) in operating working capital	0.7	28.1	(3.0)	28.8
Net cash provided by operating activities	37.8	58.0	75.7	88.0
Investing Activities				
Acquisition of Curtis Palmer and ManChief power plants	-	(577.8)	-	(577.8)
Capital expenditures	(2.6)	(8.6)	(3.1)	(9.2)
Net cash used in investing activities	(2.6)	(586.4)	(3.1)	(587.0)
Financing Activities				
Distributions paid	(29.9)	(24.7)	(59.8)	(49.5)
Increase in operating line	-	13.9	-	11.4
Short-term U.S. dollar debt issued	-	529.9	-	529.9
Short-term U.S. dollar debt repaid	-	(524.6)	-	(524.6)
Long-term debt issued	-	255.2	-	255.2
Long-term debt repaid	-	-	(0.4)	-
Deferred financing costs	-	(3.3)	-	(3.3)
Limited partner units issued, net	-	286.8	-	286.8
Net cash (used in)/provided by financing activities	(29.9)	533.2	(60.2)	505.9
Increase in Cash and Short-Term Investments	5.3	4.8	12.4	6.9
Cash and Short-Term Investments, Beginning of Period	27.3	5.8	20.2	3.7
Cash and Short-Term Investments, End of Period	32.6	10.6	32.6	10.6
Supplementary Cash Flow Information				
Income taxes paid	0.9	0.8	1.3	0.9
Interest paid	2.3	1.4	11.8	1.7

See accompanying notes to the Consolidated Financial Statements.

CONSOLIDATED BALANCE SHEET

<i>(millions of dollars)</i>	June 30, 2005 (unaudited)	December 31, 2004
ASSETS		
Current Assets		
Cash and short-term investments	32.6	20.2
Accounts receivable	25.3	27.3
Inventories	7.2	7.2
Prepays and other	3.7	4.2
	68.8	58.9
Plant, Property and Equipment	884.3	902.4
Power Purchase Arrangements	360.2	371.4
Future Income Taxes	0.4	2.4
Other Assets	3.9	11.3
	1,317.6	1,346.4
LIABILITIES AND PARTNERS' EQUITY		
Current Liabilities		
Accounts payable	24.1	28.0
Distributions payable	29.8	29.9
Long-term debt due within one year	0.9	0.8
	54.8	58.7
Asset Retirement Obligations	16.5	16.0
Long-Term Debt	448.1	444.4
Deferred Amounts	-	6.7
Partners' Equity	798.2	820.6
	1,317.6	1,346.4

CONSOLIDATED PARTNERS' EQUITY

Six months ended June 30 (unaudited)

<i>(millions of dollars)</i>	2005	2004
Balance, Beginning of Period	820.6	547.4
Limited Partner Units Issued, Net	-	286.8
Net Income	37.3	41.4
Cash Distributions	(59.7)	(54.6)
Balance, End of Period	798.2	821.0

See accompanying notes to the Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

1. Significant Accounting Policies

The consolidated financial statements of TransCanada Power, L.P. (the Partnership) have been prepared by the management of the General Partner in accordance with Canadian generally accepted accounting principles. The accounting policies applied are consistent with those outlined in the Partnership's annual financial statements for the year ended December 31, 2004. These consolidated financial statements reflect all normal recurring adjustments that are, in the opinion of management, necessary to present fairly the financial position and results of operations for the respective periods. These consolidated financial statements for the six months ended June 30, 2005 do not include all disclosures required in the annual financial statements and should be read in conjunction with the annual financial statements included in the Partnership's 2004 Annual Report. Certain comparative figures have been reclassified to conform to the current period's presentation.

Quarterly revenues, net income and funds generated from operations are affected by seasonal contract pricing, seasonal weather conditions, fluctuations in U.S. dollar exchange rates, attainment of firm energy requirements, and planned and unplanned plant outages, as well as items outside of the normal course of operations. Quarterly net income is affected by unrealized foreign exchange gains and losses on the Partnership's U.S. dollar-denominated long-term debt. Revenues, net income and funds generated from operations from the Partnership's Ontario plants are generally higher in the winter months (October to March) and lower in the summer months (April to September) due to seasonal pricing under the PPAs. Revenues and net income from the Partnership's hydroelectric plants are generally higher in the spring months due to seasonally higher water flows.

Since a determination of many assets, liabilities, revenues and expenses is dependent on future events, the preparation of these consolidated financial statements requires the use of estimates and assumptions which have been made with careful judgment. In the opinion of management of the Partnership's General Partner, these consolidated financial statements have been properly prepared within reasonable limits of materiality and within the framework of the Partnership's accounting policies.

2. Cash Distributions

Under the Partnership Agreement, the Board of Directors of the General Partner has the authority to retain an amount of funds generated from operations in excess of scheduled debt repayments and cash distributions ("Cash Reserve") that is 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.

<i>(unaudited)</i>	Three months ended June 30,		Six months ended June 30,	
<i>(millions of dollars except per unit amounts)</i>	2005	2004	2005	2004
Funds Generated From Operations	37.1	29.9	78.7	59.2
Scheduled Debt Repayment	-	-	(0.4)	-
Cash Reserve	(7.3)	(0.1)	(18.6)	(4.6)
Cash Distributions	29.8	29.8	59.7	54.6
Cash Distributions Per Unit	\$0.63	\$0.63	\$1.26	\$1.26

3. Operating Leases

As at June 30, 2005, the carrying value of the ManChief, Mamquam and Queen Charlotte plant, property and equipment was \$232.8 million (December 31, 2004 – \$231.9 million) less accumulated depreciation of \$7.2 million (December 31, 2004 – \$3.9 million). The Partnership's revenues for the three and six months ended June 30, 2005 included \$12.0 million and \$21.6 million with respect to the ManChief, Mamquam and Queen Charlotte PPAs (\$4.7 million and \$4.7 million for the three and six months ended June 30, 2004, respectively).

4. United States Operations

For the three and six months ended June 30, 2005, the Partnership's U.S. operations generated approximately \$25.3 million and \$48.5 million of revenue, respectively (\$17.2 million and \$21.1 million for the three and six months ended June 30, 2004, respectively). As at June 30, 2005, the net book value of plant, property and equipment and PPAs included \$570.1 million (December 31, 2004 - \$586.1 million) related to assets held in the U.S.

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

Media Inquiries:	Kurt Kadatz/Jennifer Varey	(403) 920-7859 (800) 608-7859
Unitholder & Analyst Inquiries:	David Moneta	(403) 920-7980 (888) 887-7717