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February 21, 2008

S. Barry Jackson  
Chair, Board of Directors  
TransCanada Corporation  
450 - 1 Street SW  
Calgary, AB T2P 5H1

Dear Mr. Jackson;

The controversy concerning the planned North Central Corridor (NCC) pipeline and the Lubicon Lake Indian Nation has recently been called to our attention.

As TransCanada shareholders, we have serious concerns about management's handling of this issue.

We understand that there is an unresolved jurisdictional dispute between the Lubicon people and the federal and provincial governments, and that the NCC pipeline crosses through the disputed territory.

While there have apparently been a number of meetings between TransCanada representatives and the Lubicon Nation, the Statement of Intent to Participate submitted to the Alberta Utilities Commission by the Lubicon Lake Indian Nation states that Lubicon representatives made clear that they would oppose construction of the proposed North Central Corridor Pipeline unless and until representatives of TransCanada agreed to respect recognized Lubicon land rights and answered Lubicon questions pertaining to pipeline construction and operation prior to making application to a provincial regulatory agency.

Given this, we are deeply concerned by management's public statement at the time of filing the license application that during "extensive consultation" with First Nations communities there were "no objections" to the project.

Notwithstanding the legal duty to consult and all that it normally implies for company operations, there are in this instance a number of international human rights decisions which should also be of concern to management.

The United Nations Human Rights Committee has twice ruled on the Lubicon issue and has explicitly called on Canada to ensure that the Lubicon were adequately consulted

“before granting licenses for economic exploitation of the disputed land, and ensure that in no case such exploitation jeopardizes the rights recognized under the [International] Covenant [on Civil and Political Rights].”

The UN Committee on Economic, Social and Cultural Rights also issued a similar ruling in 2006. In October 2007, after visiting the Lubicon territory, the UN Special Rapporteur on the Right to Adequate Housing, Miloon Kothari, called on Canada to “place a moratorium on all oil and extractive activities in the Lubicon region until a settlement is reached with Lubicon Lake Nation.”

The Lubicon Nation’s Statement of Intent to Participate [in the AUC process] reads, in part, as follows:

During meetings between the Lubicon Lake Indian Nation and representatives of TransCanada over an eight month period, Lubicon representatives made clear that they would oppose construction of the proposed North Central Corridor Pipeline unless and until representatives of TransCanada agreed to respect recognized Lubicon land rights and answered Lubicon questions pertaining to pipeline construction and operation prior to making application to a provincial regulatory agency. TransCanada has never answered Lubicon questions regarding construction and operation of the North Central Corridor Pipeline despite repeated promises by TransCanada representatives that those questions would be answered by someone they would bring to a subsequent meeting. Those promises were made by TransCanada representatives again at a meeting one week before TransCanada representatives filed Application No. 1551990 accompanied by false public claims that “no objections were raised in extensive consultation with landowners, native communities and other ‘interested stakeholders’”.

Subsequent to filing Application No. 1551990 TransCanada representatives have taken the position that there is effectively no relationship between filing the Application and TransCanada’s so-called “engagement” with the Lubicon Lake Indian Nation to allegedly provide the Lubicon people with information about the proposed project, to seek information about potential Lubicon concerns and to supposedly develop appropriate mitigation measures. Lubicon concerns potentially impact proposed project design and plans and perforce must be dealt with prior to applying to the AUC for authority to proceed with project construction making clear that TransCanada’s so-called “engagement program” is not a sincere effort to inform the Lubicon people about the project, to hear Lubicon concerns and to develop mitigation measures but is rather only a transparent legal strategy designed to fend off any possible legal, regulatory and/or political challenges to TransCanada proceeding as it pleases with the proposed project.

Since filing Application No. 1551990 TransCanada representatives have also claimed that “NGTL was not aware of any specific concerns by the Lubicon Nation with respects (sic) to potential impacts of the NCC proposed pipeline route” when NGTL filed its AUC application. That is carefully phrased language that deliberately creates a false impression. While there were some discussions about pipeline route this claim that TransCanada was unaware of Lubicon concerns is clearly untrue when only a week before filing the AUC Application TransCanada representatives again promised to bring someone to a meeting with the Lubicon Lake Indian Nation who could take a position regarding respect for unceded Lubicon land rights and answer Lubicon questions about pipeline construction and operation that had been repeatedly raised by Lubicon representatives but never answered by TransCanada.

As shareholders, we are deeply concerned with this report as well as with management’s handling of this situation.

At minimum, it constitutes an undisclosed and poorly managed risk to our investment, including potential negative impacts on TransCanada's financing, insurance, public image or anticipated regulatory decisions. It could also lead to legal or political challenges and serious delays in company plans and projections, which could in turn threaten the company's markets for the natural gas to be carried by the NCC pipeline, as potential buyers turn elsewhere for their energy needs. One need only look at the delays and difficulties faced by other northern pipelines to see that failure to adequately address aboriginal land rights along the pipeline route has the potential to delay or even terminate an otherwise green-lit project.

More to the point, however, this situation constitutes an unacceptable failure by management to adequately address a serious, internationally recognized human rights issue that pertains directly to the operations of the company. This is deeply troubling to us as shareholders.

We intend to raise this matter at the AGM this April in Calgary. We hope that, by that time, management will be able to report a satisfactory resolution of this issue.

Sincerely,

**ORIGINAL SIGNED BY**

Chantal Watson  
President  
Freedonia Corporation

cc Chief Bernard Ominayak, Lubicon Lake Indian Nation  
Peter Chapman, ShareHolder Action, Research and Education (SHARE)  
Ms. Leslie Lowe, Interfaith Center on Corporate Responsibility (ICCR)  
François Meloche, Groupe Investissement Responsable  
Nancy Palardy, Michael Jantzi Research Associates  
Jamie Bonham, Ethical Funds  
Ian Thomson, KAIROS Canadian Ecumenical Justice Initiatives  
Matthew Gardiner, RBC Dominion Securities