SANDELL ASSET MANAGEMENT

CASTLERIGG INVESTMENTS

SANDELL ASSET MANAGEMENT RELEASES LETTER TO THE BOARD OF DIRECTORS OF TRANSCANADA CORPORATION

Requests Board Fully Utilize Its MLP and Transition to Industry-Standard, Cash-Flow Based AFFO Metrics to Highlight Discount Valuation

Believes Spin-Off of Energy Segment Yields Best Long Term Corporate Structure

Recommendations Would Immediately Unlock Intrinsic Value of $75 per Share

NEW YORK ï November 17th, 2014

Sandell Asset Management Corp. (ñSandellò), a significant shareholder of TransCanada Corporation (ñTRPò or the ñCompanyò), has publicly released a letter and White Paper (ñUn-TRPing Shareholder Valueò) to the Board of Directors (the ñBoardò) of the Company in anticipation of its upcoming Investor Day to stimulate further discussions among all stakeholders as to the best long term corporate structure for TRP.

Tom Sandell, CEO of Sandell, stated: ñAlthough we are excited about the recent positive developments at TransCanada, we are disappointed that the Company has neither fully embraced the Master Limited Partnership (ñMLPò) structure nor emphasized cash flow metrics such as Adjusted Funds From Operations (ñAFFOò) to highlight the Companyõs ample tax assets, low maintenance capital requirements and capacity for dividend payment. Furthermore, we believe a spinoff of the Energy segment is the best long term course for this asset to attract a world-class, dedicated management team to deal with upcoming opportunities and challenges within the sector and to highlight the premium value of the Pipeline business.ò

In Sandellõs analysis, fully utilizing the Companyõs existing MLP, TC PipeLines LP (ñTCPò), and highlighting AFFO metrics would serve to enhance the Companyõs ability to finance its significant Capital Program by increasing dividend growth expectations and lowering cost of capital for both TRP and TCP. Additionally, by engaging in an óall-inô dropdown to TCP and by restructuring its incentive distribution rights (ñIDRò), TCP would be transformed into a powerful player in the US MLP industry, increasing organic growth prospects (including aiding TRP in funding its Capital Program) and allowing it to participate in the current wave of M&A to bolster its strategic positioning and distribution growth profile. Sandell believes that, through the implementation of these steps, TRPõs share price would immediately trade at its intrinsic value of $75 per share reflecting a corporate structure that maximizes the future value of TRP, TCP and the separated Energy business.

The White Paper can be found at http://www.sandellmgmt.com/press/activism.pl [1], and the text of the letter is as follows:

November 17th, 2014
Chair of the Board of Directors
TransCanada Corporation
450 1st Street S.W.
Calgary, Alberta T2P 5H1

Ladies and Gentlemen:

As we have communicated to you privately, we have been long-time investors in the ever-evolving North American energy infrastructure industry. We firmly believe TransCanada Corp (“TRP” or the “Company”), with its broad set of assets as well as its unparalleled Capital Program, is uniquely positioned to reap the benefits of the dynamic transformation occurring within the industry.

Despite our enthusiasm for TRP and its prospects, we are disappointed that the Company has been slow to evolve. The Company’s peers have unlocked substantial value through fully utilizing the Master Limited Partnership (“MLP”) structure and emphasizing Adjusted Funds From Operations (“AFFO”) over Earnings Per Share (“EPS”) metrics to better highlight underlying asset cash flow generation. Furthermore, we maintain that the spin-off of the Energy segment results in the best long term corporate structure for the Company to not only highlight the hidden value of the consolidated Pipeline segment, but also allow each individual company to attract world-class management. Over the past few weeks, we have had a number of meaningful conversations with some of your largest shareholders and have received validation of the merits of these ideas.

As detailed in the attached White Paper, we believe that the proposed “New” TransCanada would be a near-perfect corporate structure for the Company as it would yield three nimbler, industry-leading entities led by world-class management teams. Lastly, we believe that the timing of the restructuring is ideal given the stabilization of TRP’s core Pipeline assets, the continued development of its Capital Program, the resolution of key issues in the Energy segment and open and available credit markets. Greater detail on our proposals is below:

Company Should Fully Utilize TC PipeLines LP (TCP), its MLP:

- TRP’s posture towards TCP demonstrates a surprising indifference to the embedded potential of the MLP structure – a potential fully realized over the past several years by almost all other industry competitors, including Enbridge Inc. (“ENB”), Spectra Energy Corp, Oneok, Inc., and Williams Companies

- TRP’s use of TCP as a “cash ATM” is inefficient. With an industry-lagging IDR structure, TRP has not only reduced distribution growth expectations at TCP, but limited potential dividend growth at TRP’s core Pipeline business. The Company’s reasoning that it is merely preserving dropdown inventory for future capital raises is misguided. As noted in recent sell-side commentary, this concern is “overblown” as TRP could simply take back TCP units, as needed

- Either an “all-in” dropdown (including all of TRP’s oil and natural gas assets regardless of maturation) or setting an LP distribution growth target at TCP (to give MLP investors a concrete

[1] http://www.sandellmgmt.com/documents/FG/sandell/activism/276239_Final_White_Paper_TransCanada.pdf

view of the dropdown schedule) will allow TRP to realize the embedded value of its MLP immediately

- In our analysis, by fully utilizing TCP, TRP would re-set TCP's distribution growth expectations from 4.0%-4.5% to 9.0% while increasing its own dividend growth expectations from 6.5%-7.0% to 10.0% through 1) moving an additional $1.1bn of growing EBITDA into the high distribution pay-out model favored by MLP investors, 2) adding "high-splits" to the TCP IDR structure and 3) TRP taking back a significant portion of consideration in TCP units to recapture almost all of the cash flow dropped through TCP LP/GP/IDR distributions

- Importantly, in contrast with the majority of the TRP shareholder base, TCP's unitholder base is not focused on "share-count" and therefore its low cost of equity capital can be deployed effectively to fund TRP's Capital Program, execute on its own backlog and engage in M&A as long as distribution per unit grows

- We believe it is imperative that TRP fully employ its MLP immediately to catch up with its major North American infrastructure competitors who have already benefited for years through maximizing the value of this unique structure. Moreover, we support the augmentation of the Company's "pay for performance" and "build to last" compensation philosophies to include TCP

<u>Company Should Transition to Industry-Standard, Cash-Flow Based Metrics Such as AFFO:</u>

- AFFO has become the industry standard for comparison among North American infrastructure industry players as the metric both normalizes for lumpy growth capital by focusing exclusively on maintenance capital and differentiates advantaged cash tax payers

- Given its low maintenance capital requirements and cash taxes, TRP's AFFO per share shows a starkly different picture of cash generation than EPS, with estimated 2015 AFFO per share more than double its EPS, according to our analysis

- As an example, moving from a P/E to a P/AFFO approach, TRP's valuation goes from trading at a slight premium to ENB to trading at a significant 5.0x earnings multiple discount. Furthermore, by using EBITDA as a rough estimate of AFFO and adjusting for consolidated MLPs, TRP trades at a 4.8x EBITDA multiple discount to ENB

- Overall, we believe AFFO/share is a more suitable metric than EPS to ascertain dividend payment capacity and potential dividend growth profile and therefore should be emphasized more to reduce TRP's valuation discount

<u>Company Should Look to Spin-Off Energy Segment, Yielding Best Long Term Corporate Structure</u>

- Based on our analysis, we believe it is not operationally necessary for the Pipeline and Energy segments to be under the same corporate umbrella as both are now sizeable with sufficient corporate histories to be stand-alone companies

- In a separation, we believe the Energy business will be able to attract world-class management to manage upcoming opportunities and challenges and attract dedicated shareholders and sell-side analysts who can best analyze the underlying drivers of the business

- Furthermore, as a stand-alone entity, TRPôs stable Pipeline business will be insulated from Energyôs more volatile cash flows and exposure to uncertainties in the Alberta power market, yielding a higher, more industry-comparable multiple for the Pipeline business

We have had a long history of constructively working with Boards, management teams and shareholders to successfully unlock shareholder value in the North American infrastructure industry as evidenced by the success of Spectra Energy Corpôs óall-inôdropdown to its MLP last year, a move that unlocked significant shareholder value and positioned both entities for growing dividend and distribution profiles.

As always, we look forward to continuing a meaningful and ongoing dialogue to discuss our views and also to meeting with you on your upcoming Investor Day.

Sincerely,

Thomas E. Sandell
Chief Executive Officer

About Sandell Asset Management Corp.
Sandell Asset Management Corp. is a leading private, alternative asset management firm specializing in global corporate event-driven, multi-strategy investing with a strong focus on equity special situations and credit opportunities. Sandell Asset Management Corp. was founded in 1998 by Thomas E. Sandell and has offices in New York and London, including a global staff of investment professionals, traders and infrastructure specialists.

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