

TRANSCANADA CORP
Form 11-K
June 28, 2010

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 11-K

☐ ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2009.

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____

Commission File No. 1-31690

A. Full title of the plan and the address of the plan, if different from that of the issuer named below:

Union Local 1-2 Plan #83080 – TransCanada 401(k)
and Savings UWUA Local 1-2 Plan
TransCanada USA Services Inc., 717 Texas Street, Suite 2400
Houston, Texas 77002

B. Name of issuer of the securities held pursuant to the plan and the address of its principal executive office:

TransCanada Corporation
450 – 1 Street S.W., Calgary, Alberta, T2P 5H1, Canada

UNION LOCAL 1-2 PLAN #83080 – TRANSCANADA 401(K) AND SAVINGS UWUA LOCAL 1-2 PLAN

TABLE OF CONTENTS

| | |
|--|----|
| REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM | 1 |
| REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM | 2 |
| FINANCIAL STATEMENTS | 3 |
| Statements of Net Assets Available for Benefits as of December 31, 2009 and 2008 | |
| Statements of Changes in Net Assets Available for Benefits for the Year Ended December 31, 2009 and 2008 | |
| Notes to Financial Statements | |
| SUPPLEMENTAL SCHEDULE | 10 |
| Schedule H, Part IV, Line 4i | |
| Schedule of Assets (Held at End of Year) as of December 31, 2009 | |

SIGNATURE

EXHIBITS

The following exhibits are filed herewith:

- Exhibit 23.1 Consent of Independent Registered Public Accounting Firm
- Exhibit 23.2 Consent of Independent Registered Public Accounting Firm

NOTE:

All other schedules required by Section 2520.103-10 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974 have been omitted because they are not applicable.

TRANSCANADA 401(K) AND SAVINGS
UWUA LOCAL 1-2 PLAN

FINANCIAL STATEMENTS AND SUPPLEMENTAL SCHEDULE
AS OF AND FOR THE YEARS ENDING DECEMBER 31, 2009 AND 2008
AND REPORTS OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRMS

Report of Independent Registered Public Accounting Firm

Plan Administrator
TransCanada 401(k) and Savings UWUA Local 1-2 Plan

We have audited the accompanying statement of net assets available for benefits of the TransCanada 401(k) and Savings UWUA Local 1-2 Plan (the Plan) as of December 31, 2009, and the related statement of changes in net assets available for benefits for the year ended December 31, 2009. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the Plan as of and for the year ended December 31, 2008 were audited by other auditors whose report dated June 29, 2009, expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the TransCanada 401(k) and Savings Local 1-2 Plan as of December 31, 2009, and the changes in net assets available for benefits for the year ended December 31, 2009, in conformity with U.S. generally accepted accounting principles.

Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The supplemental schedule of assets (held at end of year) at December 31, 2009, is presented for the purpose of additional analysis and is not a required part of the basic financial statements but is supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. This supplemental schedule is the responsibility of the Plan's management. This supplemental schedule has been subjected to the auditing procedures applied in the audit of the 2009 basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

/s/ KPMG LLP

Omaha, Nebraska
June 28, 2010

Report of Independent Registered Public Accounting Firm

Plan Administrator
TransCanada 401(k) and Savings UWUA Local 1-2 Plan

We have audited the accompanying statement of net assets available for plan benefits of the TransCanada 401(k) and Savings UWUA Local 1-2 Plan (the Plan) as of December 31, 2008, and the related statement of changes in net assets available for plan benefits for the period from August 26, 2008 (Inception) to December 31, 2008. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Plan was not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly in all material respects, the net assets available for plan benefits of the TransCanada 401(k) and Savings UWUA Local 1-2 Plan as of December 31, 2008, and the changes in net assets available for plan benefits for the period from August 26, 2008 (Inception) to December 31, 2008 in conformity with accounting principles generally accepted in the United States.

/s/ Eide Bailly LLP

Greenwood Village, Colorado

June 29, 2009

Page 2

TRANSCANADA 401(K) AND SAVINGS UWUA LOCAL 1-2 PLAN

STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS

| December 31 (dollars) | 2009 | 2008 |
|------------------------------------|------------|------------|
| Assets | | |
| Investments at fair value (Note 3) | 14,715,574 | 11,448,315 |
| Participant loans | 928,407 | 804,789 |
| Employer contribution receivable | - | 2,857 |
| Net Assets Available for Benefits | 15,643,981 | 12,255,961 |

The accompanying notes to the financial statements are an integral part of these statements.

TRANSCANADA 401(K) AND SAVINGS UWUA LOCAL 1-2 PLAN

STATEMENTS OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

| Period ended December 31 (dollars) | 2009 | 2008 |
|--|------------|------------|
| Additions | | |
| Contributions | | |
| Employee contributions | 1,237,529 | 367,010 |
| Employer contributions | 164,184 | 49,796 |
| Employee rollover | 10,724 | - |
| | 1,412,437 | 416,806 |
| Investment Income | | |
| Net increase in fair value of investments (Note 3) | 2,061,673 | - |
| Interest and dividend income | 405,541 | 255,106 |
| Transfer of assets (Note 6) | - | 12,678,202 |
| Total Additions | 3,879,651 | 13,350,114 |
| Deductions | | |
| Benefits paid to participants | 490,597 | 719,441 |
| Administrative expenses | 1,034 | 180 |
| Net decrease in fair value of investments (Note 3) | - | 374,532 |
| Total Deductions | 491,631 | 1,094,153 |
| Increase in Net Assets Available for Benefits | 3,388,020 | 12,255,961 |
| Net Assets Available for Benefits | | |
| Beginning of Period | 12,255,961 | - |
| End of Period | 15,643,981 | 12,255,961 |

The accompanying notes to the financial statements are an integral part of these statements.

TRANSCANADA 401(K) AND SAVINGS UWUA LOCAL 1-2 PLAN

NOTES TO FINANCIAL STATEMENTS

NOTE 1: DESCRIPTION OF PLAN

The following description of the TransCanada 401(k) and Savings UWUA Local 1-2 Plan (the Plan) provides only general information. Participants and all others should refer to the Plan document for a more complete description of the Plan's provisions.

The Plan is a defined contribution plan for retirement benefits. The Plan excludes any employee of TransCanada USA Services Inc. (TCUSA or the Company) or its subsidiaries who are not covered under a collective bargaining agreement with the Utility Workers Union of America (UWUA) Local 1-2 Ravenswood and non-resident persons who have been non-resident for 183 days or more unless the employee remains on the Company's payroll, subject to certain restrictions. Employees are eligible for employer-matching contributions when they have completed 11 months of service by the end of a 12 month period with the Company. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA).

In August 2008, TransCanada Corporation (TransCanada), parent company of TCUSA, acquired the Ravenswood power generating facility (Ravenswood) from National Grid plc (National Grid). Historically, Ravenswood union employees had participated in the KeySpan Energy 401(k) Plan for Union Employees (the Keyspan plan) sponsored by National Grid. As of the acquisition date, Ravenswood employees began participating in the Plan. In November 2008, their account balances, including outstanding loans from the Keyspan plan, were transferred to the Plan.

The Board of Directors of TCUSA has appointed Fidelity Management Trust Company (Fidelity or the Trustee) as custodian and trustee of the Plan's assets.

Vesting

Participants are immediately vested in their contributions (including rollovers) and any earnings thereon. Employer-matching contributions and earnings are 100 per cent vested after three years. Employee rollovers are amounts transferred to the Plan from another qualified plan at the participant's request.

For certain participants and certain contribution sources transferred into the Plan but related to a predecessor plan, the predecessor vesting schedule will still apply. In the event of disability or death while employed by TCUSA, a participant's account becomes fully vested.

Payment of Benefits

Participants are eligible to request a distribution of their vested amounts upon retirement, death, total and permanent disability, severance of employment with the Company or, in very limited circumstances, in the event of financial hardship. Distributions are made in the form of a lump-sum payment or a rollover to another qualified account.

A participant's normal retirement age is 65, however, a participant may elect to withdraw all or a portion of their contributions after the age of 59½, subject to certain conditions. A participant may receive pension benefits commencing on or after age 55 provided they have terminated their employment with the Company.

Participants may elect to withdraw all or a portion of their vested matching contributions that have been in their account for a minimum of 36 months, subject to certain conditions.

Forfeitures

As participants are immediately 100 per cent vested in employee contributions and related plan earnings, there are no forfeitures of these amounts. Employer contributions that are not vested are forfeited if the participant's employment is terminated for reasons other than retirement.

Employee and Employer Contributions

Each year, participants may voluntarily agree to contribute up to the lesser of 50 per cent of their compensation, as defined by the Plan document, and \$16,500 (2008 - \$15,500), subject to certain limitations under the Internal Revenue Code (the Code). Participants age 50 and older may contribute an additional \$5,500. The Company may make discretionary matching contributions, if any, to be determined annually based on a percentage of participant contributions.

Participant Accounts

Each participant's account is credited with the participant's contribution and an allocation of the Company's contribution and Plan earnings. Earnings are allocated by the fund based on the ratio of a participant's account invested in a particular fund to all participants' investments in that fund. Plan expenses are generally paid by the Company, which is the Plan Sponsor. Affected participant accounts are charged expenses related to participant accounts.

Participants are responsible for investment decisions relating to the investment of assets in their account. The Trustee carries out all investing transactions on behalf of the participant.

Participant Loans

Participants may borrow from their fund accounts a minimum of \$1,000 up to a maximum equal to the lesser of \$50,000 or 50 per cent of their vested account balance, reduced by the highest outstanding loan balance in their account during the prior 12 month period. Loan terms range from one to five years for general loans or up to 15 years for the purchase of a primary residence. The loans are secured by the balance in the participant's account and bear interest at a reasonable interest rate, as determined by TCUSA (the Plan Administrator), based on prevailing market interest rates at the time. Interest rates remain fixed throughout the duration of the loan. The interest rate on loans outstanding at December 31, 2009 ranged from 4.25 per cent to 9.25 per cent (2008 - 6.00 per cent to 9.25 per cent). Principal and interest are paid through payroll deductions.

Investment in TransCanada Corporation

Stock of TransCanada is available to participants in the Plan. A participant's portfolio may consist of up to ten per cent of TransCanada stock.

Administrative Expenses

The Plan Administrator is responsible for filing all required reports on behalf of the Plan. The Company provides or pays for certain accounting, legal and management services on behalf of the Plan. The Company has not charged the Plan for these expenses or services.

Plan Termination

Although it has not expressed any intent to do so, with approval from its Board of Directors, the Company has the right under the Plan to discontinue contributions at any time and to terminate the Plan, subject to the provisions of

ERISA. In the event of Plan termination, participants would become 100 per cent vested in their accounts.

Page 6

NOTE 2: SUMMARY OF ACCOUNTING POLICIES

Basis of Presentation

The financial statements of the Plan are prepared on a going concern basis and do not purport to reflect the financial status of the Plan if it were terminated. These financial statements present the aggregate financial position of the Plan and provide no information about the portion of assets attributable to any individual member or group of members. Amounts are stated in U.S. dollars unless otherwise indicated.

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and changes therein, and disclosure of contingent assets and liabilities. Actual results could differ from these estimates.

Basis of Accounting

These financial statements are prepared using the accrual basis of accounting.

Investment Valuation and Income Recognition

The Plan's investments are stated at fair value. The fair value of shares is determined by quoted prices in active markets using the closing sale price on the last business day of the Plan year.

Interest income is recorded on the accrual basis and dividend income is recorded on the ex-dividend date.

Net Increase/(Decrease) in Fair Value of Investments consists of: (1) the unrealized gains or losses on investments held during the year and (2) the realized gains or losses recognized on the sale of investments during the year.

Purchases and sales of securities are recorded on a trade-date basis. Realized gains and losses from security transactions are reported on the average-cost basis.

Participant loans are valued at the outstanding balances.

Contributions and Payment of Benefits

Contributions are recorded in the period in which they become obligations of the Company. Benefits are recorded when paid.

Concentration of Risk

The Plan's exposure to credit loss in the event of nonperformance of investments managed by the Trustee is limited to the carrying value of such instruments. The Plan's concentrations of credit risk, interest rate risk and market risk are dictated by the Plan's provisions as well as those of ERISA and the participants' investment preference.

NOTE 3: INVESTMENTS

The Plan utilizes various investments, including common stock funds and mutual funds. Investment securities are exposed to various risks, such as interest rate, credit and overall market volatility. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in value of these investments, it is

reasonably possible that changes in the values of investment securities may occur in the near term and that such changes could materially affect participant account balances and the amounts reported in the financial statements.

Page 7

Fair Value Hierarchy

The Plan's financial assets and liabilities recorded or disclosed at fair value have been categorized into three categories based upon a fair value hierarchy. Fair value of assets and liabilities included in Level I is determined by reference to quoted prices in active markets for identical assets and liabilities. Assets and liabilities in Level II include valuations using inputs other than quoted prices for which all significant outputs are observable, either directly or indirectly. This category includes fair value determined using valuation techniques, such as option pricing models and extrapolation using observable inputs. Level III valuations are based on inputs that are not readily observable and are significant to the overall fair value measurement.

Assets measured at fair value on a recurring basis are classified as follows. There were no transfers between any categories in 2009 or 2008.

| December 31, 2009 (dollars) | Quoted Prices in Active Markets (Level I) | Significant Other Observable Inputs (Level II) | Significant Unobservable Inputs (Level III) | Total |
|--------------------------------|---|--|--|------------|
| Mutual funds | | | | |
| Balanced | 8,943,642 | - | - | 8,943,642 |
| Money market | 2,281,046 | - | - | 2,281,046 |
| Fixed income | 1,861,624 | - | - | 1,861,624 |
| Equity growth | 1,412,695 | - | - | 1,412,695 |
| | 14,499,007 | - | - | 14,499,007 |
| Common stock and other | 216,567 | - | - | 216,567 |
| | 14,715,574 | - | - | 14,715,574 |

| December 31, 2008 (dollars) | Quoted Prices in Active Markets (Level I) | Significant Other Observable Inputs (Level II) | Significant Unobservable Inputs (Level III) | Total |
|-----------------------------|--|---|---|------------|
| Mutual funds | | | | |
| Balanced | 6,834,734 | - | - | 6,834,734 |
| Money market | 2,281,559 | - | - | 2,281,559 |
| Fixed income | 1,400,141 | - | - | 1,400,141 |
| Equity growth | 800,980 | - | - | 800,980 |
| | 11,317,414 | - | - | 11,317,414 |
| Common stock and other | 130,901 | - | - | 130,901 |
| | 11,448,315 | - | - | 11,448,315 |

Significant Investments

The following is a summary of investments which represented five per cent or more of the Plan's Net Assets Available for Benefits:

| December 31 (dollars) | 2009 | 2008 |
|--|-----------|-----------|
| Fidelity Retirement Money Market Portfolio | 2,281,046 | 2,281,559 |
| Fidelity Freedom 2015 Fund | 2,084,849 | 1,491,625 |

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| | | |
|--------------------------------|-----------|-----------|
| Fidelity Freedom 2020 Fund® | 1,926,724 | 1,503,870 |
| Fidelity Freedom 2010 Fund® | 1,546,919 | 1,329,644 |
| Fidelity Freedom 2025 Fund | 1,196,390 | 977,958 |
| Fidelity Freedom 2035 Fund® | 885,879 | * |
| Fidelity U.S. Bond Index Fund® | 834,349 | * |
| Fidelity Freedom Income Fund® | 813,868 | 702,435 |

* Investment represents less than five per cent of the Plan's Net Assets Available for Benefits.

Net Increase/(Decrease) in Fair Value of Investments

Net Increase/(Decrease) in Fair Value of Investments by major category (including investments purchased, sold and held during the period) as determined by quoted market prices was as follows:

| Period ended December 31 (dollars) | 2009 | 2008 |
|--|-----------|-----------|
| Mutual funds | 2,017,242 | (358,711) |
| Common stock and other | 44,431 | (15,821) |
| Net Increase/(Decrease) in Fair Value of Investments | 2,061,673 | (374,532) |

NOTE 4: INCOME TAXES

The Plan was a prototype plan designed by the Trustee. The Internal Revenue Service has determined and informed the Company, by a letter dated October 9, 2003, that the Plan and related trust are designed in accordance with applicable sections of the Code. Effective December 15, 2009, the Plan has been restated to a volume submitter plan. A determination letter filing process is underway. The plan administrator and the Plan's tax counsel believe that the Plan is designed and is currently being operated in compliance with the applicable requirements of the Code. The Plan is exempt from federal income taxes. Accordingly, no provision for federal income taxes has been made in the accompanying financial statements.

NOTE 5: PARTY-IN-INTEREST AND RELATED PARTY TRANSACTIONS

Certain Plan investments are shares of mutual funds managed by Fidelity, the Trustee as defined by the Plan, therefore these transactions qualify as party-in-interest.

The Company incurred \$14,026 of administrative expenses, as described in Note 1, on behalf of the Plan in the year ending December 31, 2009 (period of August 26 to December 31, 2008 - \$2,907). The Company has not charged the Plan for these expenses.

At December 31, 2009, Plan investments included \$215,495 (2008 - \$129,883) of TransCanada common stock and \$1,072 (2008 - \$1,018) in a TransCanada stock purchase account.

NOTE 6: TRANSFER OF ASSETS

The transfer in 2008 related to UWUA Local 1-2 employee accounts transferred into the Plan as a result of TransCanada's acquisition of Ravenswood in August 2008.

NOTE 7: SUBSEQUENT EVENTS

Subsequent events have been assessed up to June 28, 2010, which is the date the financial statements were available for issuance.

TRANSCANADA 401(K) AND SAVINGS UWUA LOCAL 1-2 PLAN

EIN #: 98-0460263

PLAN #: 005

FORM 5500 SCHEDULE H, PART IV, LINE 4i – SCHEDULE OF ASSETS (HELD AT END OF YEAR)
AS OF DECEMBER 31, 2009

| (a) | (b) Identity of Issuer, Borrower, Lessor or Similar Party | (c) Description of Investment | (e) Current Value (US dollars) |
|-----|---|----------------------------------|---|
| * | Fidelity Retirement Money Market Portfolio | Mutual Fund | 2,281,046 |
| * | Fidelity Freedom 2015 Fund | Mutual Fund | 2,084,849 |
| * | Fidelity Freedom 2020 Fund® | Mutual Fund | 1,926,724 |
| * | Fidelity Freedom 2010 Fund® | Mutual Fund | 1,546,919 |
| * | Fidelity Freedom 2025 Fund | Mutual Fund | 1,196,390 |
| * | Fidelity Freedom 2035 Fund | Mutual Fund | 885,879 |
| * | Fidelity U.S. Bond Index Fund | Mutual Fund | 834,349 |
| * | Fidelity Freedom Income Fund® | Mutual Fund | 813,868 |
| * | Fidelity Freedom 2030 Fund® | Mutual Fund | 741,869 |
| | Artisan Mid Cap Value Fund | Mutual Fund | 437,567 |
| * | Spartan ® U.S. Equity Index Fund | Mutual Fund | 340,644 |
| * | Fidelity Inflation Protected Bond Fund | Mutual Fund | 213,407 |
| * | Fidelity Freedom 2045 Fund | Mutual Fund | 201,459 |
| * | Fidelity Dividend Growth Fund | Mutual Fund | 184,902 |
| * | Fidelity International Discovery Fund | Mutual Fund | 127,278 |
| * | Fidelity Freedom 2040 Fund® | Mutual Fund | 125,709 |
| * | Fidelity Freedom 2005 Fund | Mutual Fund | 118,228 |
| | RS Partners A | Mutual Fund | 80,906 |
| * | Fidelity Export & Multinational Fund | Mutual Fund | 80,381 |
| * | Fidelity Freedom 2000 Fund® | Mutual Fund | 80,012 |
| | Hartford Growth Y | Mutual Fund | 64,819 |
| * | Fidelity Equity Income Fund | Mutual Fund | 51,180 |
| * | Fidelity Freedom 2050 Fund | Mutual Fund | 35,604 |
| * | Fidelity Fund | Mutual Fund | 18,359 |
| * | Fidelity Growth Strategies Fund | Mutual Fund | 14,549 |
| | Baron Asset Fund | Mutual Fund | 12,110 |
| | Total Mutual Funds | | 14,499,007 |
| * | TransCanada Corporation | Common Stock | 215,495 |
| * | TransCanada Corporation | Stock Purchase Account | 1,072 |
| | Participant Loans | | 928,407 |

Interest rates ranging from
4.25% to 9.25% maturing
through 2024

| | |
|-------------------|------------|
| Total Investments | 15,643,981 |
|-------------------|------------|

* Represents a party-in-interest (Note 5).

See accompanying report of independent registered public accounting firm.

SIGNATURES

The Plan. Pursuant to the requirements of the Securities Exchange Act of 1934, TransCanada USA Services Inc. as Plan Administrator, has duly caused this annual report to be signed on its behalf by the undersigned, thereunto duly authorized.

Dated: June 28, 2010

Union Local 1-2 Plan #83080–TransCanada 401(k) and Savings UWUA Local 1-2 Plan

By: /s/ Wendy L. Hanrahan
Wendy L. Hanrahan
Vice-President
TransCanada USA Services Inc., the Plan Administrator

EXHIBIT INDEX

- 23.1 Consent of Independent Registered Public Accounting Firm to incorporation by reference in Form S-8.
 - 23.2 Consent of Independent Registered Public Accounting Firm to incorporation by reference in Form S-8.
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