

TRANSCANADA CORP
Form 11-K
June 25, 2013

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, 2012.

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:

TransCanada 401(k) and Savings IBEW 486 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

TRANSCANADA 401(K) AND SAVINGS IBEW 486 PLAN

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TRANSCANADA 401(K) AND SAVINGS
IBEW 486 PLAN

FINANCIAL STATEMENTS AND SUPPLEMENTAL SCHEDULES
DECEMBER 31, 2012 AND 2011

TRANSCANADA 401(K) AND SAVINGS IBEW 486 PLAN

STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS

| December 31 (thousands of dollars) | 2012 | 2011 |
|------------------------------------|-------|-------|
| Assets | | |
| Investments at fair value (Note 3) | 5,047 | 4,341 |
| Notes receivable from participants | 119 | 106 |
| Employer contribution receivable | 1 | 1 |
| Net Assets Available for Benefits | 5,167 | 4,448 |

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

TRANSCANADA 401(K) AND SAVINGS IBEW 486 PLAN

STATEMENTS OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

| Year ended December 31 (thousands of dollars) | 2012 | 2011 |
|---|-------|-------|
| Additions | | |
| Contributions | | |
| Employee contributions | 451 | 470 |
| Employer contributions | 224 | 224 |
| | 675 | 694 |
| Investment Income | | |
| Net increase/(decrease) in fair value of investments (Note 3) | 425 | (296) |
| Interest and dividend income | 196 | 172 |
| Total Additions | 1,296 | 570 |
| Deductions | | |
| Benefits paid to participants | 576 | 438 |
| Administrative expenses | 1 | 1 |
| Total Deductions | 577 | 439 |
| Increase in Net Assets Available for Benefits | 719 | 131 |
| Net Assets Available for Benefits | | |
| Beginning of Year | 4,448 | 4,317 |
| End of Year | 5,167 | 4,448 |

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

TRANSCANADA 401(K) AND SAVINGS IBEW 486 PLAN

NOTES TO FINANCIAL STATEMENTS

NOTE 1: DESCRIPTION OF PLAN

The TransCanada 401(k) and Savings IBEW 486 Plan (the Plan) is a defined contribution plan that provides retirement benefits for employees of TransCanada USA Services Inc. (TCUSA or the Company) or its subsidiaries that have attained the age of 21 and are covered by a collective bargaining agreement with the International Brotherhood of Electrical Workers (IBEW) 486. The Plan excludes employees hired under the Company's student program. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA).

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.

Employee and Employer Contributions

Each year, participants may elect to defer a percentage of their eligible compensation into the Plan subject to an annual limit of the lesser of 60 per cent or \$17,000 (2011 - \$16,500), subject to certain limitations under the Internal Revenue Code (the Code). Participants age 50 or older who are make deferral contributions may also make catch-up contributions of up to \$5,500. The Company will match 100 per cent of each participant's contributions up to a maximum of five per cent of the participant's compensation for the Plan year. To be eligible for employer-matching contributions participants must have completed one year of service. Participants may contribute amounts transferred to the Plan from another qualified plan at the participant's request (rollover).

Participant Accounts

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

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.

Investment in TransCanada Corporation

Stock of TransCanada Corporation (TransCanada), indirect parent company of TCUSA, is available to participants in the Plan. A participant's portfolio may consist of up to 10 per cent of TransCanada stock. Participants may elect to exchange up to 10 per cent of their existing account balance into TransCanada stock. Additionally, no more than 10 per cent of any rollover contribution can be invested in TransCanada stock.

Vesting

Participants are immediately vested in their contributions, including rollovers, employer contributions and any earnings thereon. Employee rollovers are amounts transferred to the Plan from another qualified plan at the participant's request.

Notes Receivable from Participants

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 note balance in their account during the prior 12 month period. Note terms range from one to five years for general notes or up to 10 years for the purchase of a primary residence. The notes are secured by the balance in the participant's account and bear interest at a reasonable interest rate, as determined by the Plan Administrator, based on prevailing market interest rates at the time. Interest rates remain fixed throughout the duration of the term. Interest rates on notes outstanding at December 31, 2012 ranged from 4.25 per cent to 6.0 per cent (2011 - 4.25 per cent to 9.25 per cent). Principal and interest are paid through payroll deductions.

A note receivable from a participant shall be considered in default if any scheduled repayment remains unpaid as of the last business day of the calendar quarter following the calendar quarter in which the note is initially considered past due. In the event of a default or termination of employment the entire outstanding note and accrued interest is considered to be a deemed distribution to the participant.

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 his or her contributions after the age of 59½, subject to certain conditions. Participants may receive pension benefits commencing on or after the age of 55 provided they have terminated their employment with the Company.

Forfeitures

As participants are immediately 100 per cent vested in their account balance, there are no forfeitures.

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 be 100 per cent vested in their accounts.

NOTE 2: SUMMARY OF ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Plan are presented on an accrual basis of accounting in accordance with U.S. generally accepted accounting principles.

Use of Estimates

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.

Investment Valuation and Income Recognition

The Plan's investments are stated at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 3 for discussion of fair value measurements.

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

Net Increase 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. Realized gains and losses from security transactions are reported on the average cost basis.

Purchases and sales of securities are recorded on a trade-date basis.

Notes Receivable

Notes Receivable from Participants includes the unpaid principal balance plus accrued interest. Delinquent notes receivable from participants are recorded as a distribution based upon the terms of the Plan document.

Payment of Benefits

Benefits are recorded when paid.

Recently Issued Accounting Pronouncements

In May 2011, the Financial Accounting Standards Board issued Accounting Standards Update No. 2011-04, Fair Value Measurement (Topic 820), Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs (ASU 2011-04). ASU 2011-04 was issued to improve the comparability of fair value measurements presented and disclosed in financial statements prepared in accordance with U.S. generally accepted accounting principles and International Financial Reporting Standards. The guidance in ASU 2011-04 explains how to measure fair value, but does not require additional fair value measurements and is not intended to establish valuation standards or affect valuation practices outside of financial reporting. ASU 2011-04 is effective for fiscal years and interim periods within those fiscal years beginning on or after December 15, 2011. The Plan adopted ASU 2011-04 in 2012. The adoption of ASU 2011-04 did not have a material impact on the Plan's financial statements.

NOTE 3: INVESTMENTS

Participants direct the investment of their account balances into a broad range of investment securities offered by the Plan, including common stock and mutual funds. Investment securities are exposed to various risks, such as counterparty credit risk, liquidity risk and market risk. 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.

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.

Fair Value Hierarchy

The Plan's financial assets and liabilities recorded at fair value have been categorized into three categories based on a fair value hierarchy. In Level I, the fair value of assets and liabilities is determined by reference to quoted prices in active markets for identical assets and liabilities. In Level II, determination of the fair value of assets and liabilities includes valuations using inputs, other than quoted prices, for which all significant outputs are observable, directly or indirectly. This category includes fair value determined using valuation techniques, such as option pricing models and extrapolation using observable inputs. In Level III, determination of the fair value of assets and liabilities is based on inputs that are not readily observable and are significant to the overall fair value measurement. There were no Level II or Level III investments or transfers between levels in 2012 or 2011.

Common Stock: Valued at the closing price reported on the New York Stock Exchange.

Mutual Funds: Valued at the daily closing price reported by the fund. Mutual funds held by the Plan are open end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value and transact at that price. The mutual funds held by the Plan are deemed to be actively traded.

Financial assets measured at fair value on a recurring basis are classified in the Level I fair value category as follows.

| December 31 (thousands of dollars) | Quoted Prices in Active Markets (Level I) | |
|------------------------------------|--|-------|
| | 2012 | 2011 |
| Mutual funds | | |
| Equity | 3,446 | 2,699 |
| Balanced | 974 | 766 |
| Fixed Income | 323 | 300 |
| Money market | 204 | 504 |
| | 4,947 | 4,269 |
| Common stock and other | 100 | 72 |
| Investments at Fair Value | 5,047 | 4,341 |

Certain reclassifications have been made to prior year presentation to conform to the current year presentation.

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 (thousands of dollars) | 2012 | 2011 |
|---|------|------|
| Baron Asset Fund | 769 | 630 |
| Fidelity® Dividend Growth Fund | 560 | 380 |
| Fidelity® International Discovery Fund | 539 | 400 |
| Spartan® 500 Index Fund | 384 | 324 |
| Fidelity® Equity Income Fund | 354 | 291 |
| Fidelity Freedom 2015 Fund | 324 | 268 |
| RS Partners CL Y | 307 | * |
| Fidelity® Retirement Money Market Portfolio | * | 504 |
| RS Partners CL A | * | 341 |

* Investment is less than five per cent of net assets available for benefits in indicated year.

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 year) was as follows:

| Year ended December 31 (thousands of dollars) | 2012 | 2011 |
|---|------|-------|
| Mutual funds | 418 | (303) |
| Common stock and other | 7 | 7 |

| | | |
|--|-----|--------|
| Net Increase/(Decrease) in Fair Value of Investments | 425 | (296) |
|--|-----|--------|

NOTE 4: INCOME TAXES

The Plan is based on a volume-submitted prototype plan document drafted by Fidelity Management & Research Company. Amended and restated volume submitter plan documents were submitted to the Internal Revenue Service (IRS) effective December 15, 2009 for an updated opinion letter. The IRS has not yet completed its review. 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.

The Plan Administrator has analyzed any income tax assets and liabilities of the Plan and has concluded that as of December 31, 2012 and 2011, there are no uncertain income tax positions taken or expected to be taken that would require recognition of a liability or asset, or disclosure in the financial statements. The Plan is subject to audits by taxing jurisdictions, however, there are currently no audits in progress for any tax periods. The Plan Administrator believes it is no longer subject to income tax examinations for years prior to 2009.

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

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

In 2012, the Company incurred \$173 (2011 - \$4,960) of administrative expenses, as described in Note 1, on behalf of the Plan. The Company has not charged the Plan for these expenses.

At December 31, 2012, Plan investments included \$98,781 (2011 – \$70,706) of TransCanada common stock and \$1,198 (2011 – \$1,109) in a TransCanada stock purchase account.

NOTE 6: SUBSEQUENT EVENTS

Subsequent events have been assessed up to the date the financial statements were available for issuance.

TRANSCANADA 401(K) AND SAVINGS IBEW 486 PLAN

EIN #: 98-0460263

PLAN #: 004

FORM 5500 SCHEDULE H, PART IV, LINE 4i – SCHEDULE OF ASSETS (HELD AT END OF YEAR)
AS OF DECEMBER 31, 2012

| (a) | (b) Identity of Issuer, Borrower, Lessor or Similar Party | (c) Description of Investment | (e) Current Value (US dollars) |
|-----|---|--|---|
| | Baron Asset Fund | Mutual Fund | 769,220 |
| * | Fidelity® Dividend Growth Fund | Mutual Fund | 559,992 |
| * | Fidelity® International Discovery Fund | Mutual Fund | 539,115 |
| * | Spartan® 500 Index Fund | Mutual Fund | 384,294 |
| * | Fidelity® Equity - Income Fund - Class K | Mutual Fund | 353,714 |
| * | Fidelity Freedom K® 2015 Fund | Mutual Fund | 323,579 |
| | RS Partners Y | Mutual Fund | 306,581 |
| * | Spartan® U.S. Bond Index Fund | Mutual Fund | 226,384 |
| | Vanguard Inflation-Protected Admiral | Mutual Fund | 223,178 |
| * | Fidelity Freedom 2035 Fund® | Mutual Fund | 215,017 |
| * | Fidelity® Retirement Money Market Portfolio | Mutual Fund | 204,326 |
| * | Fidelity Freedom K® 2030 Fund | Mutual Fund | 184,642 |
| | Artisan Mid Cap Value Fund | Mutual Fund | 114,493 |
| * | Fidelity Freedom K® 2040 Fund | Mutual Fund | 88,451 |
| | Mainstay Large Cap Growth Fund | Mutual Fund | 74,840 |
| | Columbia Mid Cap Growth Fund | Mutual Fund | 68,429 |
| * | Fidelity Freedom K® 2020 Fund | Mutual Fund | 65,647 |
| * | Fidelity Freedom K® Income Fund | Mutual Fund | 56,402 |
| * | Fidelity Freedom K® 2045 Fund | Mutual Fund | 53,686 |
| | Hartford Growth Fund | Mutual Fund | 48,559 |
| * | Fidelity Freedom K® 2005 Fund | Mutual Fund | 40,213 |
| * | Fidelity Freedom K® 2025 Fund | Mutual Fund | 38,712 |
| * | Fidelity Freedom K® 2050 Fund | Mutual Fund | 4,613 |
| * | Fidelity Freedom K® 2000 Fund | Mutual Fund | 3,318 |
| | Total Mutual Funds | | 4,947,405 |
| * | TransCanada Corporation | Common Stock | 98,781 |
| * | TransCanada Stock Fund | Stock Purchase Account | 1,198 |
| * | Participant Loans | Interest rates ranging from 4.25% to 6.0% maturing through 2017 | 119,261 |
| | Total Investments | | 5,166,645 |

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

SIGNATURES

The Plan. Pursuant to the requirements of the Securities Exchange Act of 1934, the trustees (or other persons who administer the employee benefit plan), have duly caused this annual report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: June 25, 2013

TransCanada 401(k) and Savings IBEW 486 Plan

By: /s/ Jon A. Dobson _____
Jon A. Dobson
Member
TransCanada USA Investment Committee