

**PROSPECTUS SUPPLEMENT**

To a Short Form Base Shelf Prospectus dated September 12, 2011

*No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise.*

*This prospectus supplement, together with the short form base shelf prospectus dated September 12, 2011 (the "Prospectus") to which it relates, as amended or supplemented, and each document deemed to be incorporated by reference into the short form base shelf prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities.*

*These securities have not been and will not be registered under the Securities Act of 1933 of the United States of America. These securities may not be offered, sold or delivered in the United States and this prospectus supplement does not constitute an offer to sell or a solicitation of an offer to buy any of these securities within the United States.*

*Information has been incorporated by reference in this prospectus supplement and the accompanying Prospectus from documents filed with securities commissions or similar authorities in Canada. Copies of the documents incorporated herein by reference may be obtained on request without charge from the Corporate Secretary of Canadian Utilities Limited at 1400 ATCO Centre, 909 - 11<sup>th</sup> Avenue S.W., Calgary, Alberta T2R 1N6 (telephone: (403) 292-7500), and are also available electronically at [www.sedar.com](http://www.sedar.com).*

New Issue

March 7, 2013



**CANADIAN UTILITIES LIMITED**  
An **ATCO** Company

**\$175,000,000**  
**(7,000,000 shares)**

**Cumulative Redeemable Second Preferred Shares Series CC**

The holders of the Cumulative Redeemable Second Preferred Shares Series CC (the "Series CC Preferred Shares") of Canadian Utilities Limited (the "Corporation") will be entitled to receive, as and when declared by the board of directors of the Corporation (the "Board of Directors"), fixed cumulative preferential cash dividends at a rate of \$1.125 per share per annum, to accrue from the date of original issue, payable quarterly on the first day of March, June, September and December of each year. Assuming an issue date of March 19, 2013 the first dividend, if declared, will be payable June 1, 2013 in the amount of \$0.22808 per Series CC Preferred Share.

On or after June 1, 2018, the Corporation may, at its option on not less than 30 nor more than 60 days prior notice, redeem for cash the Series CC Preferred Shares, in whole at any time or in part from time to time, at \$26.00 per share if redeemed during the 12 months commencing June 1, 2018, at \$25.75 per share if redeemed during the 12 months commencing June 1, 2019, at \$25.50 per share if redeemed during the 12 months commencing June 1, 2020, at \$25.25 per share if redeemed during the 12 months commencing June 1, 2021, and at \$25.00 per share if redeemed on and after June 1, 2022, in each case together with all accrued and unpaid dividends to but excluding the date of redemption. See "Details of the Offering".

The Toronto Stock Exchange (the "TSX") has conditionally approved the listing of the Series CC Preferred Shares. Listing of the Series CC Preferred Shares is subject to the Corporation fulfilling all of the requirements of the TSX on or before June 5, 2013 including distribution of these securities to a minimum number of public securityholders. In the opinion of counsel, subject to the provisions of any particular plan, the Series CC Preferred Shares, if issued on the date hereof, generally would be qualified investments under the *Income Tax Act* (Canada) (the "Tax Act") for certain tax-exempt plans. See "Eligibility for Investment". The address of the head office of the Corporation is 1600 ATCO Centre, 909 - 11th Avenue S.W., Calgary, Alberta T2R 1N6 and the registered office of the Corporation is 10035 - 105 Street, Edmonton, Alberta T5J 2V6.

**Price: \$25.00 per share to yield 4.50% per annum**

	<b>Price to the Public</b>	<b>Underwriters' Fee<sup>(1)</sup></b>	<b>Proceeds to the Corporation<sup>(1)</sup></b>
Per Series CC Preferred Share	\$25.00	\$0.75	\$24.25
Total Offering	\$175,000,000	\$5,250,000	\$169,750,000

Note:

(1) *The underwriters' fee for the Series CC Preferred Shares is \$0.25 for each such share sold to certain institutions by the closing of the offering and \$0.75 per share for all other Series CC Preferred Shares purchased by the Underwriters (the "Underwriters' Fee"). The Underwriters' Fee indicated in the table assumes that no Series CC Preferred Shares are sold to such institutions.*

BMO Nesbitt Burns Inc., RBC Dominion Securities Inc., TD Securities Inc. and Scotia Capital Inc. (the "Underwriters"), as principals, conditionally offer the Series CC Preferred Shares, subject to prior sale, if, as and when issued by the Corporation and accepted by the Underwriters in accordance with the conditions contained in the Underwriting Agreement referred to under "Plan of Distribution" and subject to the approval of certain legal matters on behalf of the Corporation by Bennett Jones LLP and on behalf of the Underwriters by Blake, Cassels & Graydon LLP. The Underwriters may over-allot or effect transactions that stabilize or maintain the market price of the Series CC Preferred Shares. **The Underwriters may offer the Series CC Preferred Shares at a price lower than that stated above. See "Plan of Distribution".**

Subscriptions will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. It is expected that the closing of this offering will take place on or about March 19, 2013 or on such other date as the Corporation and the Underwriters may agree, and in any event not later than March 28, 2013. A book-entry only certificate representing the Series CC Preferred Shares distributed hereunder will be issued in registered form only to CDS Clearing and Depository Services Inc. ("CDS") or its nominee and will be deposited with CDS following the closing of this offering. The Corporation understands that a purchaser of Series CC Preferred Shares will receive only a customer confirmation from the registered dealer who is a CDS participant and from or through whom Series CC Preferred Shares are purchased.

**There is no market through which the Series CC Preferred Shares may be sold and purchasers may not be able to resell Series CC Preferred Shares purchased under this prospectus supplement. This may affect the pricing of the Series CC Preferred Shares in the secondary market (if any), the transparency and availability of trading prices, the liquidity of the Series CC Preferred Shares, and the extent of issuer regulation. A prospective investor should be aware that the purchase of Series CC Preferred Shares may have tax consequences both in Canada and the United States. See "Certain Canadian Federal Income Tax Considerations" and "Risk Factors".**

**The Underwriters are subsidiaries of Canadian chartered banks, which have extended credit facilities to the Corporation and certain of its affiliates. Accordingly, under certain circumstances, the Corporation may be considered a "connected issuer" of the Underwriters under applicable Canadian securities legislation. See "Plan of Distribution".**

## TABLE OF CONTENTS

	<u>Page</u>
Forward-Looking Statements .....	S-4
Documents Incorporated by Reference.....	S-4
Trading Price and Volume.....	S-5
Details of the Offering .....	S-6
Depository Services.....	S-7
Ratings.....	S-8
Plan of Distribution .....	S-8
Eligibility for Investment.....	S-9
Use of Proceeds .....	S-10
Earnings Coverage Ratio .....	S-10
Risk Factors .....	S-10
Certain Canadian Federal Income Tax Considerations.....	S-11
Legal Matters .....	S-13
Transfer Agent and Registrar.....	S-13
Statutory Rights of Withdrawal and Rescission .....	S-13
Auditor's Consent .....	S-14
Certificate of the Underwriters .....	S-15

In this prospectus supplement, unless otherwise indicated, capitalized terms which are defined in the accompanying Prospectus are used herein with the meaning defined therein.

### **FORWARD-LOOKING STATEMENTS**

Certain statements contained in this prospectus supplement may constitute forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "anticipate", "plan", "expect", "may", "will", "intend", "should" and similar expressions. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. The Corporation believes that the expectations reflected in the forward-looking statements are reasonable, but no assurance can be given that these expectations will prove to be correct and such forward-looking statements should not be unduly relied upon. The Corporation's actual results could differ materially from those anticipated in these forward-looking statements due to, among other factors, regulatory decisions, competitive factors in the industries in which the Corporation operates, prevailing economic conditions and the factors detailed under "Risk Factors" in this prospectus supplement as well as in the Corporation's filings with securities regulators, including its annual and interim management's discussion and analysis and annual and interim financial statements and the notes thereto. This is not an exhaustive list of the factors that may affect any of the Corporation's forward-looking statements. These and other factors should be considered carefully and readers should not place undue reliance on the Corporation's forward-looking statements.

The forward-looking statements contained in this prospectus supplement represent the Corporation's expectations as of the date hereof and are subject to change after such date. The Corporation disclaims any intention or obligation to update or revise any forward-looking statements whether as a result of new information, future events or otherwise, except as required under applicable securities regulations.

### **DOCUMENTS INCORPORATED BY REFERENCE**

This prospectus supplement is deemed to be incorporated by reference into the accompanying Prospectus, solely for the purpose of the offering of the Series CC Preferred Shares. The following documents are also incorporated or deemed to be incorporated by reference into the Prospectus and reference should be made to the Prospectus for the full particulars thereof:

- (a) annual information form dated February 20, 2013;
- (b) management proxy circular dated March 6, 2012 relating to the annual meeting of shareholders held on May 3, 2012;
- (c) audited comparative consolidated financial statements, together with the accompanying report of the auditor, for the year ended December 31, 2012;
- (d) management's discussion and analysis for the year ended December 31, 2012 and the earnings coverage ratio filed as an exhibit thereto;

provided that these documents are not incorporated by reference to the extent their contents are modified or superseded by a statement contained in this prospectus supplement or in any other subsequently filed document that is also incorporated by reference in this prospectus supplement.

Any documents of the type described in section 11.1 of Form 44-101F1 - *Short Form Prospectus*, if filed by the Corporation after the date of this prospectus supplement and before the termination of the distribution, are deemed to be incorporated by reference in this prospectus supplement.

Any statement contained in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purposes of this prospectus supplement to the extent that a statement contained herein, or in any other subsequently filed document which also is incorporated or is deemed to be incorporated by reference herein, modifies or supersedes such statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. The making of a modifying or superseding statement will not be deemed an admission for any purpose that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this prospectus supplement.

### TRADING PRICE AND VOLUME

The Corporation's Class A non-voting shares ("Class A Shares"), Class B common shares ("Class B Shares"), Cumulative Redeemable Second Preferred Shares Series Y, Cumulative Redeemable Second Preferred Shares Series AA and Cumulative Redeemable Second Preferred Shares Series BB, are listed on the TSX. The following table sets forth the high and low prices and volumes of the Corporation's shares traded on the TSX during the periods indicated.

	Class A Shares			Class B Shares					
	High (\$)	Low (\$)	Volume	High (\$)	Low (\$)	Volume			
<b>2012</b>									
March	68.12	64.51	2,453,152	68.08	64.74	32,023			
April	69.85	64.82	1,625,547	69.60	65.20	15,184			
May	72.00	66.31	5,994,328	71.75	66.42	18,562			
June	67.91	65.12	2,488,405	67.79	65.25	52,422			
July	71.59	66.02	1,376,600	71.01	66.55	17,955			
August	71.72	67.91	3,610,178	71.40	68.00	685,429			
September	68.80	66.01	2,006,757	68.50	66.71	6,757			
October	69.50	65.60	1,652,909	69.07	65.90	13,342			
November	68.30	63.11	2,482,739	68.24	63.67	27,440			
December	71.94	66.96	2,053,380	71.75	67.46	13,275			
<b>2013</b>									
January	76.25	71.02	2,444,828	75.50	71.50	6,522			
February	77.77	72.42	2,414,140	77.00	72.75	9,989			
March 1 to March 6	79.15	77.57	414,584	78.96	78.00	4,288			
<b>Cumulative Redeemable Second Preferred Shares</b>									
	Series Y			Series AA			Series BB		
	High (\$)	Low (\$)	Volume	High (\$)	Low (\$)	Volume	High (\$)	Low (\$)	Volume
<b>2012</b>									
March	25.87	25.33	225,635	-	-	-	-	-	-
April	25.90	25.46	105,594	-	-	-	-	-	-
May	26.06	25.38	191,971	-	-	-	-	-	-
June	25.93	25.51	261,515	25.38	25.00	979,435	-	-	-
July	26.25	25.65	225,559	26.22	25.30	437,148	26.20	25.06	1,678,241
August	26.49	25.80	119,725	26.20	25.70	161,141	26.17	25.80	217,901
September	26.32	25.50	93,892	26.37	25.60	102,120	26.25	25.85	269,080
October	26.33	25.90	1,221,144	26.92	26.17	136,912	26.86	26.16	301,399
November	26.20	25.85	441,935	26.85	26.26	66,825	26.80	26.18	157,461
December	26.43	26.07	230,022	26.68	26.21	71,351	26.70	26.11	75,741
<b>2013</b>									
January	27.08	26.10	625,565	26.75	26.30	128,787	26.65	26.27	189,115
February	26.80	26.00	368,822	26.69	26.32	140,782	26.54	26.01	213,095
March 1 to March 6	26.62	26.04	46,072	26.48	26.25	422,715	26.46	25.79	82,442

## DETAILS OF THE OFFERING

The Series CC Preferred Shares will have attached thereto the series provisions summarized below.

### **Dividends**

Holders of Series CC Preferred Shares will be entitled to receive fixed cumulative preferential cash dividends of \$1.125 per share per annum, to accrue from the date of original issue, payable quarterly on the first day of March, June, September and December of each year, if, as and when declared by the Board of Directors. Assuming an issue date of March 19, 2013, the first dividend, if declared, will be payable June 1, 2013 in the amount of \$0.22808 per Series CC Preferred Share.

### **Redemption**

The Series CC Preferred Shares will not be redeemable before June 1, 2018, but will be redeemable for cash on and after that date at the option of the Corporation, in whole at any time or in part from time to time, on not less than 30 days nor more than 60 days prior notice, at \$26.00 per share if redeemed during the 12 months commencing June 1, 2018, at \$25.75 per share if redeemed during the 12 months commencing June 1, 2019, at \$25.50 per share if redeemed during the 12 months commencing June 1, 2020, at \$25.25 per share if redeemed during the 12 months commencing June 1, 2021, and at \$25.00 per share if redeemed on and after June 1, 2022, in each case together with all accrued and unpaid dividends to but excluding the date of redemption.

The Corporation may redeem less than all of the then outstanding Series CC Preferred Shares at any time in such manner as is specified in the series provisions and is acceptable to the TSX.

### **Purchase for Cancellation**

Subject to the provisions described under "Restrictions on Dividends and Retirement of Shares", the Corporation may at any time or times purchase for cancellation all or any part of the Series CC Preferred Shares on the open market, by private agreement or otherwise at the lowest price or prices at which in the opinion of the Board of Directors such shares are obtainable.

### **Creation or Issue of Additional Shares**

So long as any Series CC Preferred Shares are outstanding the Corporation shall not, without the prior approval of the holders of the Series CC Preferred Shares given in the specified manner, create or issue any shares ranking prior to or on a parity with the Series CC Preferred Shares with respect to repayment of capital or payment of dividends, provided that the Corporation may without such approval, if all dividends then payable on the Series CC Preferred Shares shall have been paid, issue additional series of Series Second Preferred Shares of the Corporation ("Series Second Preferred Shares").

### **Restrictions on Dividends and Retirement of Shares**

So long as any of the Series CC Preferred Shares are outstanding, the Corporation shall not:

- (a) declare or pay or set apart for payment any dividends (other than stock dividends in shares of the Corporation ranking junior to the Series CC Preferred Shares) on the Class A Shares or Class B Shares or any other shares of the Corporation ranking junior to the Series CC Preferred Shares with respect to payment of dividends,
- (b) call for redemption, purchase, reduce or otherwise pay off any shares of the Corporation ranking junior to the Series CC Preferred Shares with respect to repayment of capital or with respect to payment of dividends, or
- (c) call for redemption or purchase or reduce or otherwise pay off less than all the Series CC Preferred Shares and all the Series Second Preferred Shares and all other preferred shares ranking prior to or on a parity with the Series CC Preferred Shares then outstanding with respect to payment of dividends

unless all dividends up to and including the dividends payable on the last preceding respective dividend payment dates on the Series CC Preferred Shares and on the Series Second Preferred Shares and on all other preferred shares ranking prior to or on a parity with the Series CC Preferred Shares with respect to payment of dividends then outstanding shall have been declared and paid or set apart for payment.

### **Rights on Liquidation**

In the event of the liquidation, dissolution or winding-up of the Corporation, or other distribution of assets of the Corporation among its shareholders for the purpose of winding-up its affairs, the holders of the Series CC Preferred Shares shall be entitled to receive the amount paid up on such shares together with all accrued and unpaid cumulative preferential dividends thereon up to but excluding the date of payment or distribution (less any tax required to be deducted and withheld by the Corporation) before any amount shall be paid or any property or assets of the Corporation shall be distributed to the holders of any Class A Shares or Class B Shares or other shares ranking junior to the Series CC Preferred Shares. After payment to the holders of the Series CC Preferred Shares of the amounts so payable to them, they shall not be entitled to share in any further distribution of the property or assets of the Corporation. The Series Second Preferred Shares of each series rank equally with the Series Second Preferred Shares of every other series with respect to priority in payment of dividends and in the distribution of assets in the event of liquidation, dissolution or winding up of the Corporation.

### **Tax Election**

The Series CC Preferred Shares will be "taxable preferred shares" as defined in the Tax Act. The terms of the Series CC Preferred Shares require the Corporation to make the necessary election under Part VI.1 of the Tax Act so that corporate holders of Series CC Preferred Shares will not be required to pay tax under Part IV.1 of the Tax Act on dividends received (or deemed to be received) on the Series CC Preferred Shares. See "Certain Canadian Federal Income Tax Considerations – Dividends".

### **Voting Rights**

The holders of the Series CC Preferred Shares are not entitled to any voting rights or to receive notice of or to attend shareholders' meetings unless dividends on the Series Second Preferred Shares of any series are in arrears to the extent of eight quarterly dividends or four half-yearly dividends, as the case may be, whether or not consecutive. Until all arrears of dividends have been paid, holders of Series CC Preferred Shares will be entitled to receive notice of and to attend all shareholders' meetings at which directors are to be elected (other than separate meetings of holders of another class or series of shares) and to one vote in respect of each Series CC Preferred Share held.

### **Modification**

The series provisions attaching to the Series CC Preferred Shares may be amended with the written approval of all the holders of the Series CC Preferred Shares outstanding or by at least two-thirds of the votes cast at a meeting of the holders of such shares duly called for that purpose and at which a quorum is present.

### **Business Day**

If any day on which any dividend on the Series CC Preferred Shares is payable by the Corporation or on or by which any other action is required to be taken by the Corporation is not a business day, then such dividend shall be payable and such other action may be taken on or by the next succeeding day that is a business day.

## **DEPOSITORY SERVICES**

Except as otherwise provided herein, the Series CC Preferred Shares will be issued in "book-entry only" form and must be purchased, transferred, converted or redeemed through participants (collectively, "Participants" and individually, a "Participant") in the depository service of CDS or its nominee. Each of the Underwriters is a Participant. On the closing of this offering, the Corporation will cause a global certificate or certificates representing the Series CC Preferred Shares to be delivered to, and registered in the name of, CDS or its nominee. Except as described below, no purchaser of Series CC Preferred Shares will be entitled to a certificate or other instrument from the Corporation or CDS evidencing that purchaser's ownership thereof, and no purchaser will be

shown on the records maintained by CDS except through a book-entry account of a Participant acting on behalf of such purchaser. The Corporation understands that each purchaser of Series CC Preferred Shares will receive a customer confirmation of purchase from the registered dealer from or through which the Series CC Preferred Shares are purchased in accordance with the practices and procedures of that registered dealer. The practices of registered dealers may vary, but generally customer confirmations are issued promptly after execution of a customer order. CDS will be responsible for establishing and maintaining book-entry accounts for its Participants having interests in the Series CC Preferred Shares. Reference in this prospectus supplement to a holder of Series CC Preferred Shares means, unless the context otherwise requires, the owner of the beneficial interest in the Series CC Preferred Shares.

If the Corporation determines, or CDS notifies the Corporation in writing, that CDS is no longer willing or able to discharge properly its responsibilities as depository with respect to the Series CC Preferred Shares and the Corporation is unable to locate a qualified successor, or if the Corporation at its option elects, or is required by law, to terminate the book-entry system, then Series CC Preferred Shares will be issued in fully registered and certificated form to the owners of the beneficial interests in such Series CC Preferred Shares or their nominees.

## **RATINGS**

Credit ratings are intended to provide investors with an independent measure of the credit quality of an issue of securities and are indicators of the likelihood of payment and of the capacity and willingness of an issuer to meet its financial commitment on a security in accordance with the terms of the security.

The Series CC Preferred Shares of the Corporation are rated Pfd-2 (high) with a stable trend by DBRS Limited ("DBRS") and P-2 (High) with a stable outlook by Standard & Poor's, a division of The McGraw-Hill Companies, Inc. ("S&P").

A Pfd-2 rating by DBRS is the second highest of six categories granted by DBRS. Preferred shares rated Pfd-2 are of satisfactory credit quality. Protection of dividends and principal is substantial, but earnings, the balance sheet, and coverage ratios are not as strong as higher rated companies. Each rating category is denoted by the subcategories "high" and "low". The absence of either a "high" or "low" designation indicates the rating is in the "middle" of the category.

A P-2 rating by S&P is the second highest of eight categories S&P uses in its Canadian preferred share rating scale. A security rated P-2 exhibits adequate protection parameters. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the issuer to meet its financial commitment on the security. A "high" or "low" designation shows relative standing within a rating category. The absence of either a "high" or "low" designation indicates the rating is in the "middle" of the category.

A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the rating organization.

The Corporation will make payments to DBRS and S&P in connection with the assignment of the ratings to the Series CC Preferred Shares. In addition, the Corporation has made payments in respect of certain other services provided to the Corporation by each of DBRS and S&P during the last two years.

## **PLAN OF DISTRIBUTION**

Pursuant to an underwriting agreement dated March 5, 2013 between the Corporation and the Underwriters (the "Underwriting Agreement"), the Corporation has agreed to sell and the Underwriters have severally agreed to purchase on March 19, 2013, or on such later date as may be agreed upon, but not later than March 28, 2013, subject to the terms and conditions stated therein, all but not less than all of the Series CC Preferred Shares at a price of \$25.00 per share payable in cash to the Corporation against delivery of such Series CC Preferred Shares. The obligations of the Underwriters under the Underwriting Agreement may be terminated upon the occurrence of certain stated events. The Underwriters are, however, obligated to take up and pay for all of the Series CC Preferred Shares if any Series CC Preferred Shares are purchased under the Underwriting Agreement. The offering price of the Series CC Preferred Shares was determined by negotiation between the Corporation and the Underwriters. The Underwriters have agreed not to offer, sell or deliver any Series CC Preferred Shares in the United States or to any U.S. persons.



The Underwriters may not, throughout the period of distribution, bid for or purchase Series CC Preferred Shares. The foregoing restriction is subject to certain exceptions, on the condition that the bid or purchase not be engaged in for the purpose of creating actual or apparent active trading in or raising the price of the Series CC Preferred Shares. These exceptions include a bid or purchase permitted under the Universal Market Integrity Rules administered by the Investment Industry Regulatory Organization of Canada relating to market stabilization and passive market-making activities and a bid or purchase made for and on behalf of a customer where the order was not solicited during the period of distribution. The Corporation has been advised that, in connection with this offering and subject to the foregoing, the Underwriters may over-allot or effect transactions which stabilize or maintain the market price of the Series CC Preferred Shares at a level above that which might otherwise prevail in the open market. Such transactions, if commenced, may be discontinued at any time.

The Underwriters propose to offer the Series CC Preferred Shares initially at the initial public offering price specified on the cover page of this prospectus supplement. After a reasonable effort has been made to sell all of the Series CC Preferred Shares at the initial public offering price, the Underwriters may subsequently reduce and thereafter change, from time to time, the price at which the Series CC Preferred Shares are offered to an amount not greater than \$25.00 per share. Should such a price reduction occur, the compensation realized by the Underwriters will be decreased by the amount that the aggregate price paid by purchasers for the securities is less than the price paid by the Underwriters to the Corporation. Notwithstanding any such reduction by the Underwriters, the proceeds received by the Corporation will not be affected.

The Underwriters are subsidiaries of Canadian chartered banks, which have extended credit facilities to the Corporation and certain of its affiliates. Accordingly, under certain circumstances, the Corporation may be considered a "connected issuer" of the Underwriters under applicable Canadian securities legislation. The aggregate amount of such credit facilities available to the Corporation and its affiliates is approximately \$1.87 billion, of which approximately \$162.2 million was drawn as of December 31, 2012. These facilities include term facilities, demand facilities and overdraft facilities made available to the Corporation and its affiliates. These facilities also include non-recourse debt of the Corporation's affiliates for which the lender's recourse in the event of default is limited to the business and assets of the project in question and to the affiliates' equity therein. The Corporation and its affiliates are in compliance with the terms of these credit facilities. Since December 31, 2012, there have been no material changes to the amounts owing under these facilities. The decision of each Underwriter to participate in this offering was made independently of its bank parent. The net proceeds from the offering will not be used to repay amounts outstanding under the credit facilities of the Corporation. See "Use of Proceeds".

The TSX has conditionally approved the listing of the Series CC Preferred Shares. Listing of the Series CC Preferred Shares is subject to the Corporation fulfilling all of the requirements of the TSX on or before June 5, 2013 including distribution of these securities to a minimum number of public securityholders.

### **ELIGIBILITY FOR INVESTMENT**

In the opinion of Bennett Jones LLP, counsel to the Corporation, and of Blake, Cassels & Graydon LLP, counsel to the Underwriters, subject to the provisions of any particular plan, the Series CC Preferred Shares offered hereby, if issued on the date hereof, generally would be qualified investments under the Tax Act and the regulations thereunder (the "Regulations") for a trust governed by a registered retirement savings plan ("RRSP"), a registered retirement income fund ("RRIF"), a registered education savings plan, a registered disability savings plan, a deferred profit sharing plan, or a tax-free savings account ("TFSA").

Notwithstanding that the Series CC Preferred Shares may be qualified investments for a trust governed by an RRSP, RRIF or a TFSA, the annuitant under an RRSP or RRIF or the holder of a TFSA may be subject to a penalty tax if such Series CC Preferred Shares are "prohibited investments" for the RRSP, RRIF or TFSA within the meaning of the Tax Act. The Series CC Preferred Shares will not be a "prohibited investment" provided that the annuitant under the RRSP or RRIF, or the holder of the TFSA, as the case may be, deals at arm's length with the Corporation for purposes of the Tax Act and does not have a "significant interest" (as defined in the Tax Act) in the Corporation or in any corporation, partnership or trust with which the Corporation does not deal at arm's length for purposes of the Tax Act.

Pursuant to the proposed amendments to the Tax Act released on December 21, 2012 (the "December 2012 Proposals") the Series CC Preferred Shares will generally not be a "prohibited investment" provided the annuitant

under the RRSP or RRIF, or the holder of the TFSA, as the case may be, deal at arm's length with the Corporation for purposes of the Tax Act and does not have a "significant interest" (as defined in the Tax Act) in the Corporation. Prospective investors who intend to hold Series CC Preferred Shares in their RRSP, RRIF or TFSA should consult their own tax advisers regarding whether the Series CC Preferred Shares will be a prohibited investment in their particular circumstances, including with respect to the December 2012 Proposals.

### **USE OF PROCEEDS**

The estimated net proceeds (after deducting the Underwriters' Fee) to be received by the Corporation from the sale of the Series CC Preferred Shares are \$169,750,000, assuming that no Series CC Preferred Shares are sold to certain institutions. The net proceeds will be added to the general funds of the Corporation to be used to repay existing indebtedness and for other general corporate purposes.

### **EARNINGS COVERAGE RATIO**

The earnings coverage ratio for the 12 month period ended December 31, 2012 has been calculated based on information contained within the Corporation's financial statements for the related period which were prepared in accordance with Canadian generally accepted accounting principles, which is within the framework of International Financial Reporting Standards. The earnings coverage ratio set out below does not purport to be indicative of earnings coverage ratios for any future periods. The earnings coverage ratio is equal to net earnings before borrowing costs on all financial liabilities ("borrowing costs") and income taxes divided by borrowing costs (including capitalized interest) and the Corporation's aggregate dividend requirements.

The Corporation's dividend requirements on all of its preferred shares, after giving effect to the issue of the Series CC Preferred Shares and adjusted to a before-tax equivalent using an effective income tax rate of 21.4%, amounted to \$79 million for the 12 months ended December 31, 2012. The Corporation's borrowing cost requirements (including capitalized interest) amounted to \$318 million for the 12 months ended December 31, 2012. The Corporation's earnings before borrowing costs and income taxes for the 12 months ended December 31, 2012, were \$1,006 million, which was 2.5 times Corporation's aggregate dividend and borrowing cost requirements (including capitalized interest), after giving effect to the issue of the Series CC Preferred Shares.

### **RISK FACTORS**

A prospective purchaser of Series CC Preferred Shares should carefully consider the following investment considerations before making a decision to purchase Series CC Preferred Shares, as well as the other information contained in this prospectus supplement and the documents incorporated by reference herein, including, in particular, the information described under the headings "Utilities - Utilities Business Risks", "Energy - Energy Business Risks", "ATCO Australia - ATCO Australia Business Risks" and "Risk Management and Financial Instruments" in the Corporation's management's discussion and analysis for the year ended December 31, 2012.

There is no market through which the Series CC Preferred Shares may be sold and purchasers may not be able to resell Series CC Preferred Shares purchased under this prospectus supplement. This may affect the pricing of the Series CC Preferred Shares in the secondary market, the transparency and availability of trading prices, the liquidity of the Series CC Preferred Shares and the extent of issuer regulation.

Prevailing yields on similar securities will affect the market values of the Series CC Preferred Shares. Assuming all other factors remain unchanged, the market value of the Series CC Preferred Shares will decline as prevailing yields for similar securities rise and will increase as prevailing yields for similar securities decline. Real or anticipated changes in credit ratings on the Series CC Preferred Shares may affect the market value of the Series CC Preferred Shares.

The Series CC Preferred Shares are equity capital of the Corporation which rank equally with other preferred shares of the Corporation in the event of an insolvency or winding-up of the Corporation. If the Corporation becomes insolvent or is wound up, the Corporation's assets must be used to pay liabilities and other debt before payments may be made on the Series CC Preferred Shares and other preferred shares.

Dividends on the Series CC Shares are payable at the discretion of the Board of Directors. The Corporation may not declare or pay a dividend if there are reasonable grounds for believing that (a) the Corporation is, or would after the payment be, unable to pay its liabilities as they become due, or (b) the realizable value of the Corporation's assets would thereby be less than the aggregate of its liabilities and stated capital of its outstanding shares.

## CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of Bennett Jones LLP, counsel to the Corporation, and Blake, Cassels & Graydon LLP, counsel to the Underwriters, (collectively "Counsel") the following summary, as of the date hereof, describes the principal Canadian federal income tax considerations generally applicable under the provisions of the Tax Act to a prospective purchaser of Series CC Preferred Shares pursuant to the Prospectus who, at all relevant times, for the purposes of the Tax Act, is (or is deemed to be) resident in Canada, deals at arm's length with and is not affiliated with the Corporation and holds the Series CC Preferred Shares as capital property (a "Holder"). Generally, the Series CC Preferred Shares will be considered to be capital property to a Holder provided the Holder does not hold the shares in the course of carrying on a business of trading or dealing in securities and has not acquired them in one or more transactions considered to be an adventure or concern in the nature of a trade. Certain Holders who might not otherwise be considered to hold their Series CC Preferred Shares as capital property may, in certain circumstances, be entitled to have their Series CC Preferred Shares and every other "Canadian security", as defined in the Tax Act, owned by the Holder in the taxation year of the election and every subsequent taxation year, treated as capital property by making the irrevocable election permitted by subsection 39(4) of the Tax Act. Holders who do not hold their Series CC Preferred Shares as capital property should consult their own tax advisers with respect to their own particular circumstances. This summary assumes that the Series CC Preferred Shares will be listed on a designated stock exchange in Canada under the Tax Act (which currently includes the TSX) at all relevant times.

This summary is not applicable to: (i) a Holder that is a "financial institution", as defined in the Tax Act for the purpose of the "mark-to-market" rules; (ii) a Holder, an interest in which would be a "tax shelter investment", as defined in the Tax Act; (iii) a Holder that is a "specified financial institution" or a "restricted financial institution", each as defined in the Tax Act; or (iv) a Holder which has made a "functional currency" election under the Tax Act to determine its Canadian tax results in a currency other than Canadian currency. Any such Holder should consult its own tax advisors with respect to an investment in the Series CC Preferred Shares.

This summary is based upon the current provisions of the Tax Act, the Regulations, all specific proposals to amend the Tax Act and the Regulations publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof (the "Proposals"), existing case law and Counsels' understanding of the current written administrative and assessing policies and practices of the Canada Revenue Agency. This summary assumes the Proposals will be enacted in the form proposed, however, no assurance can be given that the Proposals will be enacted in their current form, or at all. This summary is not exhaustive of all possible Canadian federal income tax considerations and, except for the Proposals, does not take into account or anticipate any changes in law, whether by legislative, governmental or judicial decision or action, nor does it take into account any provincial, territorial or foreign income tax legislation or considerations.

**This summary is of a general nature only and is not intended to be, nor should it be construed to be, legal or tax advice to any particular Holder of Series CC Preferred Shares. No representations are made with respect to the income tax consequences to any particular Holder. Consequently, prospective Holders should consult their own tax advisers with respect to their particular circumstances for advice with respect to the tax consequences to them of acquiring, holding and disposing of the Series CC Preferred Shares including the application and effect of the income and other tax laws of any country, province, state or local tax authority.**

### *Dividends*

Dividends (including deemed dividends) received (or deemed to be received) on the Series CC Preferred Shares by an individual (other than certain trusts) will be included in the individual's income and will be subject to the gross-up and dividend tax credit rules normally applicable to taxable dividends received from taxable Canadian corporations. Individuals are entitled to an enhanced gross-up and dividend tax credit in respect of "eligible dividends" received from taxable Canadian corporations, such as the Corporation, if such dividends have been designated as eligible dividends by the Corporation. By notice in writing on the Corporation's website, the Corporation has designated that all taxable dividends paid on its shares on or after January 1, 2006 will be "eligible

dividends" within the meaning of the Tax Act unless otherwise indicated. Management of the Corporation has advised counsel that the Corporation anticipates that it will designate the dividends paid to holders of the Series CC Preferred Shares as eligible dividends.

Dividends received by a Holder who is an individual (other than certain trusts) may give rise to a liability for alternative minimum tax under the Tax Act.

Dividends (including deemed dividends) received on the Series CC Preferred Shares by a Holder that is a corporation will be included in computing the Holder's income and will generally be deductible in computing the Holder's taxable income. A "private corporation", as defined in the Tax Act, or any other corporation controlled (whether by reason of a beneficial interest in one or more trusts or otherwise) by or for the benefit of an individual (other than a trust) or a related group of individuals (other than trusts), will generally be liable to pay a 33 1/3% refundable tax under Part IV of the Tax Act on dividends received (or deemed to be received) on the Series CC Preferred Shares to the extent such dividends are deductible in computing its taxable income.

The Series CC Preferred Shares will be "taxable preferred shares" as defined in the Tax Act. The terms of the Series CC Preferred Shares require the Corporation to make the necessary election under Part VI.1 of the Tax Act so that corporate Holders will not be subject to tax under Part IV.1 of the Tax Act on dividends received (or deemed to be received) on the Series CC Preferred Shares.

### ***Dispositions***

A Holder who disposes of or is deemed to dispose of Series CC Preferred Shares (on the redemption of such shares or otherwise) will generally realize a capital gain (or sustain a capital loss) to the extent that the Holder's proceeds of disposition, net of any reasonable costs of disposition, exceed (or are less than) the adjusted cost base of such shares to the Holder. The amount of any deemed dividend arising on the redemption, acquisition or cancellation by the Corporation of Series CC Preferred Shares will generally not be included in computing the Holder's proceeds of disposition for the purposes of computing the capital gain (or capital loss) arising on the disposition of such Series CC Preferred Shares. See "Redemption" below. If the Holder is a corporation, any capital loss arising on a disposition of a Series CC Preferred Share may, in certain circumstances, be reduced by the amount of any dividends, including deemed dividends, which have been received on the Series CC Preferred Share. Analogous rules apply to a partnership or trust of which a corporation, partnership or trust is a member or beneficiary.

Generally, one-half of any capital gain realized in a taxation year will be included in computing the Holder's income in that taxation year as a taxable capital gain and, generally, one-half of any capital loss realized in a taxation year (an "allowable capital loss") must be deducted from the taxable capital gains realized by the Holder in the same taxation year, in accordance with the rules contained in the Tax Act. Allowable capital losses in excess of taxable capital gains realized by a Holder in a particular taxation year may be carried back and deducted in any of the three preceding taxation years or carried forward and deducted in any subsequent taxation year against net taxable capital gains realized by the Holder in such taxation year, subject to and in accordance with the rules contained in the Tax Act. Capital gains realized by an individual may give rise to a liability for alternative minimum tax under the Tax Act. Taxable capital gains of a "Canadian-controlled private corporation", as defined in the Tax Act, may be subject to an additional refundable tax at a rate of 6 2/3%.

### ***Redemption***

If the Corporation redeems Series CC Preferred Shares or otherwise acquires or cancels Series CC Preferred Shares (other than by a purchase by the Corporation of the shares in the open market in the manner in which shares are normally purchased by any member of the public in the open market), the Holder will be deemed to have received a dividend equal to the amount, if any, paid by the Corporation in excess of the paid-up capital (as determined for purposes of the Tax Act) of such shares at such time. Generally, the difference between the amount paid by the Corporation and the amount of the deemed dividend will be treated as proceeds of disposition for purposes of computing the capital gain or capital loss arising on the disposition of such shares. See "Dispositions" above. In the case of Holder that is a corporation, it is possible that in certain circumstances all or part of any such deemed dividend may be treated as proceeds of disposition and not as a dividend.

## **LEGAL MATTERS**

Certain legal matters relating to the offering will be passed upon by Bennett Jones LLP for the Corporation and by Blake, Cassels & Graydon LLP for the Underwriters. As at the date hereof, partners and associates of Bennett Jones LLP and of Blake, Cassels & Graydon LLP, as a group, beneficially owned, directly or indirectly, less than 1% of any class of securities of the Corporation. R.T. Booth, a partner of Bennett Jones LLP, is a director of the Corporation and of ATCO Ltd., which is a publicly traded affiliate of the Corporation.

## **TRANSFER AGENT AND REGISTRAR**

The transfer agent and registrar for the Series CC Preferred Shares is CIBC Mellon Trust Company at its principal office in Toronto.

## **STATUTORY RIGHTS OF WITHDRAWAL AND RESCISSION**

Securities legislation in certain of the provinces of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces, the securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, revisions of the purchase price or damages if the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that the remedies for rescission, revision of the price or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province for the particulars of these rights or consult with a legal adviser.

## AUDITOR'S CONSENT

We have read the prospectus supplement of Canadian Utilities Limited (the "Company") dated March 7, 2013 relating to the issuance of 7,000,000 Cumulative Redeemable Second Preferred Shares Series CC of the Company. We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents.

We consent to the incorporation by reference in the above-mentioned prospectus supplement of our report to the share owners of the Company on the consolidated balance sheets of the Company as at December 31, 2012 and December 31, 2011 and the consolidated statements of earnings, comprehensive income, changes in equity and cash flows for each of the years in the two-year period ended December 31, 2012. Our report is dated February 20, 2013.

Calgary, Alberta

March 7, 2013

(signed) PricewaterhouseCoopers LLP  
PRICEWATERHOUSECOOPERS LLP  
Chartered Accountants

## CERTIFICATE OF THE UNDERWRITERS

Dated: March 7, 2013

To the best of our knowledge, information and belief, the short form prospectus, together with the documents incorporated in the prospectus by reference, as supplemented by the foregoing, constitutes full, true and plain disclosure of all material facts relating to the securities offered by the prospectus and this supplement as required by the securities legislation of each of the provinces of Canada.

BMO NESBITT BURNS INC.

RBC DOMINION SECURITIES INC.

By: (signed) Aaron M. Engen

By: (signed) David Dal Bello

TD SECURITIES INC.

SCOTIA CAPITAL INC.

By: (signed) Alec W.G. Clark

By: (signed) Anthony Aulicino