

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 - 11th Avenue S.W., Calgary, Alberta T2R 1N6 (telephone: (403) 292-7500), and are also available electronically at www.sedar.com.

New Issue

May 31, 2012



CANADIAN UTILITIES LIMITED
An **ATCO** Company

\$150,000,000
(6,000,000 shares)

Cumulative Redeemable Second Preferred Shares Series AA

The holders of the Cumulative Redeemable Second Preferred Shares Series AA (the "Series AA 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 \$1.225 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 June 18, 2012 the first dividend, if declared, will be payable September 1, 2012 in the amount of \$0.25171 per share.

On or after September 1, 2017, the Corporation may, at its option on not less than 30 nor more than 60 days prior notice, redeem for cash the Series AA 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 September 1, 2017, at \$25.75 per share if redeemed during the 12 months commencing September 1, 2018, at \$25.50 per share if redeemed during the 12 months commencing September 1, 2019, at \$25.25 per share if redeemed during the 12 months commencing September 1, 2020, and at \$25.00 per share if redeemed on and after September 1, 2021, 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 AA Preferred Shares. Listing of the Series AA Preferred Shares is subject to the Corporation fulfilling all of the requirements of the TSX on or before August 28, 2012 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 AA 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 4.90% per annum

	Price to the Public	Underwriters' Fee⁽¹⁾	Proceeds to the Corporation⁽¹⁾
Per Series AA Preferred Share	\$25.00	\$0.75	\$24.25
Total Offering	\$150,000,000	\$4,500,000	\$145,500,000

Notes:

(1) *The underwriters' fee for the Series AA 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 AA Preferred Shares purchased by the Underwriters (the "Underwriters' Fee"). The Underwriters' Fee indicated in the table assumes that no Series AA 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 AA 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 AA Preferred Shares. **The Underwriters may offer the Series AA 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 June 18, 2012 or on such other date as the Corporation and the Underwriters may agree (the "Closing Date"), and in any event not later than June 29, 2012. A book-entry only certificate representing the Series AA 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 AA Preferred Shares will receive only a customer confirmation from the registered dealer who is a CDS participant and from or through whom Series AA Preferred Shares are purchased.

There is no market through which the Series AA Preferred Shares may be sold and purchasers may not be able to resell Series AA Preferred Shares purchased under this prospectus supplement. This may affect the pricing of the Series AA Preferred Shares in the secondary market (if any), the transparency and availability of trading prices, the liquidity of the Series AA Preferred Shares, and the extent of issuer regulation. A prospective investor should be aware that the purchase of Series AA 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 securities legislation. See "Plan of Distribution".

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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 AA 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 21, 2012;
- (b) management proxy circular dated March 6, 2012 relating to the annual meeting of shareholders held on May 3, 2012;
- (c) comparative consolidated financial statements, together with the accompanying report of the auditor, for the year ended December 31, 2011;
- (d) management's discussion and analysis for the year ended December 31, 2011;
- (e) comparative interim consolidated financial statements for the three months ended March 31, 2012; and
- (f) management's discussion and analysis for the three months ended March 31, 2012;

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") and Cumulative Redeemable Second Preferred Shares, Series W ("Series W"), X ("Series X") and Y ("Series Y") 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
2011						
May	59.90	53.65	3,457,988	59.00	53.18	32,131
June	57.51	54.03	3,459,764	57.50	54.12	18,231
July	58.19	55.26	2,135,653	58.00	55.64	6,643
August	60.03	52.17	3,899,290	59.50	51.50	28,542
September	63.44	57.90	3,455,387	63.09	58.21	15,273
October	64.36	59.86	3,015,534	64.00	60.00	13,213
November	62.93	59.56	5,272,017	62.56	59.75	13,737
December	62.49	59.00	4,471,025	61.85	59.50	8,238
2012						
January	62.18	59.68	2,224,648	61.78	59.72	13,250
February	65.97	60.26	3,346,221	65.48	60.02	8,191
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 1 to May 30	72.00	66.31	4,510,996	71.75	66.42	18,362

	Cumulative Redeemable Second Preferred Shares								
	Series Y			Series X			Series W		
	High (\$)	Low (\$)	Volume	High (\$)	Low (\$)	Volume	High (\$)	Low (\$)	Volume
2011									
May	-	-	-	25.61	25.13	69,887	25.40	25.06	65,114
June	-	-	-	25.56	25.35	121,454	25.40	25.20	149,223
July	-	-	-	25.87	25.41	68,673	25.45	25.20	78,322
August	-	-	-	25.60	25.00	80,519	25.60	24.90	78,988
September	25.50	25.15	713,092	25.67	25.37	103,692	25.63	25.24	45,549
October	25.89	25.25	593,860	26.10	25.25	63,976	25.79	25.17	47,068
November	25.89	25.30	235,471	26.08	25.50	56,861	25.98	25.32	44,064
December	26.06	25.45	237,850	26.25	25.56	157,233	26.35	25.33	47,774
2012									
January	26.55	25.56	268,366	26.25	25.72	62,965	26.05	25.78	30,810
February	26.37	25.27	288,309	26.00	25.40	85,614	26.00	25.35	43,327
March	25.87	25.33	225,635	25.75	25.37	43,627	25.80	25.35	39,621
April	25.90	25.46	105,594	25.89	25.45	49,211	25.90	25.31	54,736
May 1 to May 30	26.06	25.43	180,988	26.20	25.06	154,434	25.86	25.30	235,167

DETAILS OF THE OFFERING

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

Dividends

Holders of Series AA Preferred Shares will be entitled to receive fixed cumulative preferential cash dividends of \$1.225 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 June 18, 2012, the first dividend, if declared, will be payable September 1, 2012 in the amount of \$0.25171 per Series AA Preferred Share.

Redemption

The Series AA Preferred Shares will not be redeemable before September 1, 2017, 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 September 1, 2017, at \$25.75 per share if redeemed during the 12 months commencing September 1, 2018, at \$25.50 per share if redeemed during the 12 months commencing September 1, 2019, at \$25.25 per share if redeemed during the 12 months commencing September 1, 2020, and at \$25.00 per share if redeemed on and after September 1, 2021, 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 AA 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 AA 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 of the Corporation such shares are obtainable.

Creation or Issue of Additional Shares

So long as any Series AA Preferred Shares are outstanding the Corporation shall not, without the prior approval of the holders of the Series AA Preferred Shares given in the specified manner, create or issue any shares ranking prior to or on a parity with the Series AA 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 AA 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 AA 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 AA Preferred Shares) on the Class A non-voting shares or Class B common shares or any other shares of the Corporation ranking junior to the Series AA 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 AA 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 AA Preferred Shares and all the Series Second Preferred Shares and all other preferred shares ranking prior to or on a parity with the Series AA 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 AA 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 AA 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 AA Preferred Shares shall be entitled to receive the amount paid up on such shares together with all accrued and unpaid cumulative preferential dividends thereon and, if such liquidation, dissolution, winding-up or distribution is voluntary, a premium of \$1.00 per share if such event commences prior to September 1, 2017, and, if such event commences thereafter, a premium equivalent to the premium payable on redemption if such shares were to be redeemed at the date of commencement of any such voluntary liquidation, dissolution, winding-up or distribution, before any amount shall be paid or any property or assets of the Corporation shall be distributed to the holders of any Class A non-voting shares or Class B common shares or other shares ranking junior to the Series AA Preferred Shares. After payment to the holders of the Series AA 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 AA Preferred Shares will be "taxable preferred shares" as defined in the Tax Act. The terms of the Series AA Preferred Shares require the Corporation to make the necessary election under Part VI.1 of the Tax Act so that corporate holders of Series AA 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 AA Preferred Shares. See "Certain Canadian Federal Income Tax Considerations – Dividends".

Voting Rights

The holders of the Series AA 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 AA 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 AA Preferred Share held.

Modification

The series provisions attaching to the Series AA Preferred Shares may be amended with the written approval of all the holders of the Series AA 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 AA 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 AA 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 AA Preferred Shares to be delivered to, and registered in the name of, CDS or its nominee. Except as described below, no purchaser of Series AA 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 AA Preferred Shares will receive a customer confirmation of purchase from the registered dealer from or through which the Series AA 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 AA Preferred Shares. Reference in this prospectus supplement to a holder of Series AA Preferred Shares means, unless the context otherwise requires, the owner of the beneficial interest in the Series AA 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 AA 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 AA Preferred Shares will be issued in fully registered and certificated form to the owners of the beneficial interests in such Series AA 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 an obligation in accordance with the terms of the obligation.

The Series AA 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. An obligation 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 obligor to meet its financial commitment on the obligation. 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 AA 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 May 30, 2012 between the Corporation and the Underwriters (the "Underwriting Agreement"), the Corporation has agreed to sell and the Underwriters have severally agreed to purchase on June 18, 2012, or on such later date as may be agreed upon, but not later than June 29, 2012, subject to the terms and conditions stated therein, all but not less than all of the Series AA Preferred Shares at a price of \$25.00 per share payable in cash to the Corporation against delivery of such Series AA 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 AA Preferred Shares if any Series AA Preferred Shares are purchased under the Underwriting Agreement. The offering price of the Series AA

Preferred Shares was determined by negotiation between the Corporation and the Underwriters. The Underwriters have agreed not to offer, sell or deliver any Series AA 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 AA 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 AA 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 AA 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 AA 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 AA 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 AA Preferred Shares are offered to an amount not greater than \$25.00 per share.

The Underwriters are subsidiaries of Canadian chartered banks that have extended credit facilities to the Corporation and certain of its affiliates. Accordingly, under certain circumstances, the Corporation may be considered to be 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 \$1.86 billion, of which approximately \$116.1 million was drawn as of March 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 March 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 AA Preferred Shares. Listing of the Series AA Preferred Shares is subject to the Corporation fulfilling all of the requirements of the TSX on or before August 28, 2012 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 Blake, Cassels & Graydon LLP, counsel to the Underwriters, subject to the provisions of any particular plan and provided they are listed on a designated stock exchange (which includes the TSX), the Series AA Preferred Shares, 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 (a "RRSP"), a registered retirement income fund (a "RRIF"), a registered education savings plan, a registered disability savings plan, a deferred profit sharing plan, or a tax-free savings account (a "TFSA").

Notwithstanding that the Series AA Preferred Shares may be qualified investments for a trust governed by a RRSP, RRIF or TFSA, the holder of a RRSP, RRIF or TFSA, as the case may be, will be subject to a penalty tax on the Series AA Preferred Shares and other adverse tax consequences may result if the Series AA Preferred Shares are a "prohibited investment" for the RRSP, RRIF or TFSA, as the case may be. The Series AA Preferred Shares will generally be a "prohibited investment" if the holder of a RRSP, RRIF or TFSA, as the case may be, does not deal at arm's length with the Corporation for purposes of the Tax Act or the holder of the RRSP, RRIF or TFSA, as the case may be, has a "significant interest" (as defined in the Tax Act) in the Corporation or a corporation, partnership or trust with which the Corporation does not deal at arm's length for purposes of the Tax Act. Persons considering acquiring Series AA Preferred Shares through their RRSP, RRIF or TFSA are advised to consult their own tax advisors in this regard.

USE OF PROCEEDS

The estimated net proceeds (after deducting the Underwriters' Fee) to be received by the Corporation from the sale of the Series AA Preferred Shares are \$145,500,000, assuming that no Series AA Preferred Shares are sold to certain institutions. The net proceeds will be used to redeem the outstanding Cumulative Redeemable Second Preferred Shares Series X (the "Series X Preferred Shares") of the Corporation.

EARNINGS COVERAGE RATIOS

The earnings coverage ratios for the 12 month periods ended December 31, 2011 and March 31, 2012 have been calculated based on information contained within the Corporation's financial statements for the related periods which were prepared in accordance with Canadian generally accepted accounting principles, which is within the framework of International Financial Reporting Standards. The earnings coverage ratios set out below do not purport to be indicative of earnings coverage ratios for any future periods. The earnings coverage ratios are equal to net earnings before borrowing costs on all financial liabilities ("borrowing costs") and income taxes divided by borrowing costs 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 AA Preferred Shares, the redemption of the Series X Preferred Shares and adjusted to a before-tax equivalent using an effective income tax rate of 26.6%, amounted to \$65 million for the 12 months ended December 31, 2011. The Corporation's borrowing cost requirements amounted to \$229 million for the 12 months ended December 31, 2011. The Corporation's earnings before borrowing costs and income taxes for the 12 months ended December 31, 2011, was \$931 million, which was 3.2 times Corporation's aggregate dividend and borrowing cost requirements, after giving effect to the issue of the Series AA Preferred Shares and the redemption of the Series X Preferred Shares.

The Corporation's dividend requirements on all of its preferred shares, after giving effect to the issue of the Series AA Preferred Shares, the redemption of the Series X Preferred Shares and adjusted to a before-tax equivalent using an effective income tax rate of 25.9%, amounted to \$67 million for the 12 months ended March 31, 2012. The Corporation's borrowing cost requirements amounted to \$242 million for the 12 months ended March 31, 2012. The Corporation's earnings before borrowing costs and income taxes for the 12 months ended March 31, 2012 was \$959 million, which was 3.1 times the Corporation's aggregate dividend and borrowing cost requirements, after giving effect to the issue of the Series AA Preferred Shares and the redemption of the Series X Preferred Shares.

RISK FACTORS

A prospective purchaser of Series AA Preferred Shares should carefully consider the following investment considerations before making a decision to purchase Series AA Preferred Shares, as well as the other information contained in this Prospectus and the documents incorporated by reference herein, including, in particular, the information described under the headings "Utilities Business Risks", "Energy Business Risks", "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, 2011.

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

Prevailing yields on similar securities will affect the market values of the Series AA Preferred Shares. Assuming all other factors remain unchanged, the market values of the Series AA 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 AA Preferred Shares may affect the market value of the Series AA Preferred Shares.

The Series AA 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 AA Preferred Shares and other preferred shares.

Dividends on the Series AA 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 AA Preferred Shares pursuant to the Prospectus (a "Holder") 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 AA Preferred Shares as capital property. Generally, the Series AA 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 AA Preferred Shares as capital property may, in certain circumstances, be entitled to have their Series AA 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 AA Preferred Shares as capital property should consult their own tax advisers with respect to their own particular circumstances. This summary assumes that the Series AA 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 AA 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 AA 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 AA 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 AA 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 AA 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 AA 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 AA Preferred Shares to the extent such dividends are deductible in computing its taxable income.

The Series AA Preferred Shares will be "taxable preferred shares" as defined in the Tax Act. The terms of the Series AA 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 AA Preferred Shares.

Dispositions

A Holder who disposes of or is deemed to dispose of Series AA 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 AA 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 AA Preferred Shares. See "Redemption" below. If the Holder is a corporation, any capital loss arising on a disposition of a Series AA Preferred Share may, in certain circumstances, be reduced by the amount of any dividends, including deemed dividends, which have been received on the Series AA 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 AA Preferred Shares or otherwise acquires or cancels Series AA 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 a corporate holder, 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 AA 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 May 31, 2012 relating to the issuance of 6,000,000 Cumulative Redeemable Second Preferred Shares Series AA 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 of our report to the share owners of the Company on the consolidated balance sheets of the Company as at December 31, 2011, December 31, 2010 and January 1, 2010 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, 2011. Our report is dated February 21, 2012.

Calgary, Alberta

May 31, 2012

(signed) PricewaterhouseCoopers LLP
PRICEWATERHOUSECOOPERS LLP
Chartered Accountants

CERTIFICATE OF THE UNDERWRITERS

Dated: May 31, 2012

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) Mark Herman