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Short Form Prospectus

New Issue

November 26, 2002



CANADIAN UTILITIES LIMITED

An **ATCO** Company

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

Cumulative Redeemable Second Preferred Shares Series W

The Cumulative Redeemable Second Preferred Shares Series W (the "Series W Preferred Shares") of Canadian Utilities Limited (the "Corporation") will be entitled to fixed cumulative preferential cash dividends, if, as and when declared by the Board of Directors of the Corporation, at a rate of \$1.45 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 December 3, 2002, the first dividend, if declared, will be payable March 1, 2003, in the amount of \$0.3496 per share.

On or after March 1, 2008, the Corporation may, at its option on not less than 30 nor more than 60 days' prior notice, redeem for cash the Series W 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 March 1, 2008, at \$25.75 per share if redeemed during the 12 months commencing March 1, 2009, at \$25.50 per share if redeemed during the 12 months commencing March 1, 2010, at \$25.25 per share if redeemed during the 12 months commencing March 1, 2011, and at \$25.00 per share if redeemed on and after March 1, 2012, in each case together with all accrued and unpaid dividends to but excluding the date of redemption.

The Toronto Stock Exchange (the "TSX") has conditionally approved the listing of the Series W Preferred Shares. Listing is subject to the Corporation fulfilling all of the requirements of the TSX on or before February 17, 2003. In the opinion of counsel, the Series W Preferred Shares would, if issued on the date hereof, qualify for investment under certain statutes as set forth under "Eligibility for Investment".

Price: \$25.00 per share to yield 5.80% per annum

	<u>Price to Public</u>	<u>Underwriters' Fee (1)</u>	<u>Net Proceeds to Corporation (1)</u>
Per Series W Preferred Share	\$25.00	\$0.75	\$24.25
Total	\$150,000,000	\$4,500,000	\$145,500,000

Note:

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

BMO Nesbitt Burns Inc., RBC Dominion Securities Inc., and TD Securities Inc. (the "Underwriters"), as principals, conditionally offer the Series W 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.

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 December 3, 2002, and in any event not later than December 31, 2002. A book-entry only certificate representing the Series W Preferred Shares distributed hereunder will be issued in registered form only to The Canadian Depository for Securities Limited ("CDS") or its nominee and will be deposited with CDS on the closing of this offering. The Corporation understands that a purchaser of Series W Preferred Shares will receive only a customer confirmation from the registered dealer who is a CDS participant and from or through whom the Series W Preferred Shares are purchased.

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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DOCUMENTS INCORPORATED BY REFERENCE

Information has been incorporated by reference in this 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 Vice President, Human Resources and Corporate Secretary of Canadian Utilities Limited at 1600 ATCO Centre, 909 - 11th Avenue S.W., Calgary, Alberta T2R 1N6 (telephone: (403) 292-7500). For the purpose of the Province of Quebec, this simplified prospectus contains information to be completed by consulting the permanent information record. A copy of the permanent information record may be obtained from the Vice President, Human Resources and Corporate Secretary of Canadian Utilities Limited at the above-mentioned address and telephone number.

The following documents of the Corporation are specifically incorporated by reference in this short form prospectus:

- (a) the annual information form dated February 28, 2002;
- (b) the comparative financial statements, together with the accompanying report of the auditors, for the fiscal year ended December 31, 2001;
- (c) management's discussion and analysis of financial condition and results of operations for the fiscal year ended December 31, 2001;
- (d) the comparative interim financial statements for the nine month period ended September 30, 2002;
- (e) management's discussion and analysis of financial condition and results of operations for the nine month period ended September 30, 2002; and
- (f) the management proxy circular dated March 8, 2002, except the sections entitled "Composition of the Corporate Governance – Nomination, Succession and Compensation Committee", "Report on Executive Compensation", "Performance Graph" and "Statement of Corporate Governance Practices";

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

Any material change reports (except confidential material change reports), financial statements and information circulars filed by the Corporation after the date of this short form prospectus and before the termination of the distribution are deemed to be incorporated by reference in this short form prospectus.

SUMMARY OF THE OFFERING

The following is a summary only and is qualified in its entirety by the more detailed information appearing elsewhere in this short form prospectus.

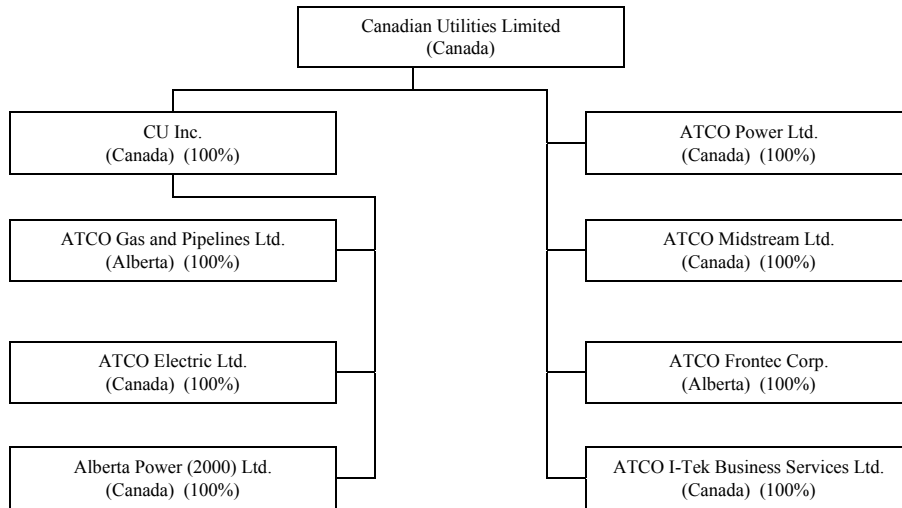
- Issuer:** Canadian Utilities Limited.
- Issue:** 6,000,000 Cumulative Redeemable Second Preferred Shares Series W.
- Amount:** \$150,000,000.
- Price and Yield:** \$25.00 per Series W Preferred Share, to yield 5.80% per annum.
- Dividends:** Holders of Series W Preferred Shares will be entitled to receive fixed cumulative preferential cash dividends of \$1.45 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 December 3, 2002, the first dividend, if declared, will be payable March 1, 2003 in the amount of \$0.3496 per Series W Preferred Share.
- Redemption:** On and after March 1, 2008, the Corporation may, at its option, on not less than 30 days nor more than 60 days prior notice, redeem for cash the Series W 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 March 1, 2008, at \$25.75 per share if redeemed during the 12 months commencing March 1, 2009, at \$25.50 per share if redeemed during the 12 months commencing March 1, 2010, at \$25.25 per share if redeemed during the 12 months commencing March 1, 2011, and at \$25.00 per share if redeemed on and after March 1, 2012, in each case together with all accrued and unpaid dividends to but excluding the date of redemption.
- Purchase for Cancellation:** The Corporation may at any time or times purchase for cancellation all or any part of the Series W 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.
- Priority:** The Series W Preferred Shares will rank junior to the Series Preferred Shares (none of which are outstanding) and in priority to the Class A non-voting shares and the Class B common shares and on a parity with any further series of Series Second Preferred Shares with respect to the payment of any dividends and the distribution of assets upon the liquidation, dissolution or winding-up of the Corporation.
- Earnings Coverages:** For the 12 months ended December 31, 2001: 2.37 times.
For the 12 months ended September 30, 2002: 2.96 times.
- Ratings:** Standard & Poor's: P-1(low) with a negative outlook. Dominion Bond Rating Service: Pfd-2 with a stable outlook.
- Tax on Preferred Share Dividends:** The Corporation will elect, in the manner and within the time provided under Part VI.1 of the *Income Tax Act* (Canada) (the "Tax Act"), to pay or cause payment of tax under Part VI.1 of the Tax Act at a rate such that corporate holders of Series W Preferred Shares will not be required to pay tax under Part IV.1 of the Tax Act on dividends received on the Series W Preferred Shares. See "Canadian Federal Income Tax Considerations" for a summary of the principal Canadian federal income tax considerations generally applicable to certain holders of Series W Preferred Shares.
- Use of Proceeds:** The estimated net proceeds to be received by the Corporation from the sale of the Series W Preferred Shares are \$145,500,000, before deducting the estimated expenses of the offering and assuming that no Series W Preferred Shares are sold to institutions. The net proceeds will be added to the general funds of the Corporation to be used for general corporate purposes including capital expenditures.
- CDS Book-Entry:** A book-entry only certificate representing the Series W Preferred Shares distributed hereunder will be issued in registered form only to CDS or its nominee and will be deposited with CDS on the closing of this offering. The Corporation understands that a purchaser of Series W Preferred Shares will receive only a customer confirmation from the registered dealer who is a CDS participant and from or through whom the Series W Preferred Shares are purchased.

THE CORPORATION

Canadian Utilities Limited was incorporated under the laws of Canada on May 18, 1927 and was continued under the Canada Business Corporations Act on August 15, 1979. The address of the Corporation's registered office is 20th Floor, 10035 - 105 Street, Edmonton, Alberta T5J 2V6. The address of the Corporation's principal office is 1600 ATCO Centre, 909 - 11th Avenue S.W., Calgary, Alberta T2R 1N6.

INTERCORPORATE RELATIONSHIPS

The following chart identifies the principal subsidiaries of the Corporation, the jurisdictions under the laws of which they are organized and the percentages of their voting securities beneficially owned or over which control or direction is exercised by the Corporation.



Note:

- (1) All of the non-voting shares of each of the above corporations are directly or indirectly owned by the Corporation.

BUSINESS OF THE CORPORATION

The Corporation is a holding company. Its principal operating subsidiaries are engaged in regulated natural gas and electric energy operations, primarily in Alberta, and in related non-regulated operations. Regulated operations are conducted by ATCO Electric Ltd. and the ATCO Gas and ATCO Pipelines divisions of ATCO Gas and Pipelines Ltd. Also included in regulated operations are the generating plants of Alberta Power (2000) Ltd. which were regulated by the AEUB until December 31, 2000, but which are now governed by legislatively mandated purchase power arrangements ("PPAs") approved by the AEUB. These plants are included in regulated operations primarily because the PPAs are designed to allow the owners of generating plants constructed before January 1, 1996 to recover their forecast fixed and variable costs and to earn a return at the rate specified in the PPAs. The plants will become deregulated upon the expiry of the PPAs. Each PPA is to remain in effect until the earlier of the last day of the life of the related generating plant and December 31, 2020.

The Corporation has four Business Groups: Utilities, Power Generation, Logistics and Energy Services and Technologies.

The Utilities Business Group includes the distribution of natural gas by the ATCO Gas division of ATCO Gas and Pipelines Ltd., the distribution and transmission of electric energy by ATCO Electric Ltd., The Yukon Electrical Company Limited, Northland Utilities (NWT) Limited and Northland Utilities (Yellowknife) Limited and the transmission and distribution of water by CU Water Limited.

The Power Generation Business Group includes the supply of electricity and cogeneration steam by ATCO Power Ltd. and Alberta Power (2000) Ltd.

The Logistics and Energy Services Business Group includes the regulated transportation of natural gas by the ATCO Pipelines division of ATCO Gas and Pipelines Ltd., the non-regulated gathering, processing, storage, purchase and sale of natural gas by ATCO Midstream Ltd. and project management and technical services for customers in the industrial, defence and transportation sectors by ATCO Frontec Corp.

The Technologies Business Group includes the development, operation and support of information systems and technologies by the ATCO I-Tek division of the Corporation, the billing services, payment processing, credit, collection and call centre services by ATCO I-Tek Business Services Ltd., the sale of fly ash and other combustion byproducts produced in coal fired electrical generating plants by ASHCOR Technologies Ltd. and the manufacturing of wood preservation products by Genics Inc.

RECENT DEVELOPMENTS

On November 22, 2002, CU Inc. issued \$50 million of 4.801% Debentures maturing on November 22, 2007, at a price of \$100, and \$150 million of 6.145% Debentures maturing on November 22, 2017, at a price of \$100. These issues were sold by RBC Dominion Securities Inc., BMO Nesbitt Burns Inc. and TD Securities Inc. Proceeds from these issues will be used to repay outstanding indebtedness, to fund capital expenditures and for other general corporate purposes.

On November 22, 2002, the Corporation issued \$100 million of 6.14% Debentures maturing on November 22, 2012, at a price of \$100. This issue was sold by RBC Dominion Securities Inc., BMO Nesbitt Burns Inc. and TD Securities Inc. Proceeds from this issue will be used for general corporate purposes including capital expenditures.

On November 19, 2002, an administration order was issued by a United Kingdom court for TXU Europe Energy Trading Ltd. ("TXU Europe"). The Corporation understands that an administration order is similar to a Chapter 11 bankruptcy filing in the United States. TXU Europe has a long term offtake agreement for 27.5% of the power produced by the Barking generating station, a 1,000 megawatt plant in London, England, in which the Corporation, through Barking Power Limited, has a 25.5% equity interest. Barking Power Limited is seeking advice as to the various courses of action available to it, including compensation, in relation to the offtake agreement with TXU Europe. The Barking generating station will continue to supply 725 megawatts of power under long term contracts. It is anticipated that the 275 megawatts of power previously supplied to TXU Europe will become merchant power.

USE OF PROCEEDS

The estimated net proceeds to be received by the Corporation from the sale of the Series W Preferred Shares are \$145,500,000, before deducting the estimated expenses of the offering and assuming that no Series W Preferred Shares are sold to institutions. The net proceeds will be added to the general funds of the Corporation to be used for general corporate purposes including capital expenditures.

SHARE CAPITAL OF THE CORPORATION

The authorized share capital of the Corporation consists of 150,000 Series Preferred Shares issuable in series, an unlimited number of Series Second Preferred Shares issuable in series and an unlimited number of Class A non-voting shares and Class B common shares.

Series Preferred Shares

The Series Preferred Shares are entitled, in priority to the Series Second Preferred Shares and the Class A non-voting shares and Class B common shares, to fixed cumulative preferential cash dividends and, 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, to the amount paid up thereon and accrued and unpaid dividends and, if such action is voluntary, the premiums payable on redemption, if any.

The Series Preferred Shares are subject to redemption on 30 days' notice and are non-voting except upon the failure of the Corporation to pay dividends on any such shares for a period of 18 months, in which case the holders of all such shares are entitled to one vote per share and to elect at meetings of shareholders at which directors are elected just under one-half of the directors of the Corporation.

The provisions attaching to the Series Preferred Shares stipulate that no shares ranking junior to the Series Preferred Shares may be retired unless all dividends then payable on the Series Preferred Shares shall have been declared and paid.

Two series of Series Preferred Shares aggregating 65,000 shares have been designated and issued to date, all of which have been redeemed and cancelled.

Series Second Preferred Shares

An unlimited number of Series Second Preferred Shares are issuable in series, each series consisting of such number of shares and having such provisions attaching thereto as may be determined by the directors. Seven series of Series Second Preferred Shares aggregating 13,460,105 shares (\$336.5 million) are currently outstanding. The Series Second Preferred Shares as a class have, among others, provisions to the following effect.

The Series Second Preferred Shares rank junior to the Series Preferred Shares but are, 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, entitled to preference over the Class A non-voting shares and the Class B common shares and any other shares of the Corporation ranking junior to the Series Second Preferred Shares. The Series Second Preferred Shares may also be given such other preference over the Class A non-voting shares and the Class B common shares and any other junior shares as may be determined for any series authorized to be issued.

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.

The holders of the Series Second Preferred Shares are not entitled as such (except as provided in any series) to any voting rights nor 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, such holders 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 of shares) and to one vote in respect of each Series Second Preferred Share held.

The class provisions attaching to the Series Second Preferred Shares may be amended with the written approval of all the holders of the Series Second 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 the purpose and at which a quorum is present.

Class B Common Shares

Holders of Class B common shares are entitled to receive notice of and to attend all meetings of the shareholders of the Corporation and are entitled to one vote in respect of each Class B common share held. The Class B common shares rank equally with the Class A non-voting shares with respect to the payment of dividends and the distribution of assets upon the liquidation, dissolution or winding-up of the Corporation. Each Class B common share may at any time and from time to time, at the option of the holder, be converted into one Class A non-voting share.

Class A Non-Voting Shares

Holders of the Class A non-voting shares are entitled:

- (a) to receive notice of, to attend and participate in discussions at meetings of shareholders, but are not, except where expressly required by law, entitled to vote at meetings of shareholders;
- (b) in the circumstances described below, and subject to changes in the exchange ratio, to exchange their Class A non-voting shares for Class B common shares on the basis of one Class A non-voting share for each Class B common share; and
- (c) subject to the rights, privileges, restrictions and conditions attaching to the preferred shares of the Corporation, to share equally, share for share, with the holders of the Class B common shares in all dividends declared by the Corporation on the Class A non-voting shares and the Class B common shares and to receive, *pari passu* with the holders of the Class B common shares, the remaining property of the Corporation upon dissolution.

If a take-over bid is made for the Class B common shares which would result in the offeror owning more than 50% of the outstanding Class B common shares and which would constitute a change in control of the Corporation, holders of Class A non-voting shares are entitled, for the duration of the bid, to exchange their Class A non-voting shares for Class B common shares and to tender such Class B common shares pursuant to the terms of the take-over bid. Such right of exchange is conditional upon the completion of the take-over bid giving rise to the right of exchange, and if the take-over bid is not completed, then the right to exchange shall be deemed never to have existed. In addition, holders of the Class A non-voting shares are entitled to exchange their shares for Class B common shares of the Corporation if ATCO Ltd., the present controlling shareholder of the Corporation, ceases to own or control, directly or indirectly, more than 10,000,000 of the issued and outstanding Class B common shares of the Corporation. In either case, each Class A non-voting share is exchangeable for one Class B common share, subject to changes in the exchange ratio for certain events such as a stock split or rights offering.

DETAILS OF THE OFFERING

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

Dividends

Holders of Series W Preferred Shares will be entitled to receive fixed cumulative preferential cash dividends of \$1.45 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 December 3, 2002, the first dividend, if declared, will be payable March 1, 2003 in the amount of \$0.3496 per Series W Preferred Share.

Redemption

The Series W Preferred Shares will not be redeemable before March 1, 2008, 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 March 1, 2008, at \$25.75 per share if redeemed during the 12 months commencing March 1, 2009, at \$25.50 per share if redeemed during the 12 months commencing March 1, 2010, at \$25.25 per share if redeemed during the 12 months commencing March 1, 2011, and at \$25.00 per share if redeemed on and after March 1, 2012, 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 W 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 W 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 W Preferred Shares are outstanding the Corporation shall not, without the prior approval of the holders of the Series W Preferred Shares given in the specified manner, create or issue any shares ranking prior to or on a parity with the Series W 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 W Preferred Shares shall have been paid, issue additional series of Series Second Preferred Shares.

Restrictions on Dividends and Retirement of Shares

So long as any of the Series W 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 W 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 W 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 W 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 W Preferred Shares and all the Series Preferred Shares and all other preferred shares ranking prior to or on a parity with the Series W 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 W Preferred Shares and on the Series Preferred Shares and on all other preferred shares ranking prior to or on a parity with the Series W 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 W 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 March 1, 2008, 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 W Preferred Shares. After payment to the holders of the Series W 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.

Tax Election

The Corporation will elect in the manner and within the time provided under Part VI.1 of the Tax Act, to pay or cause payment of tax under Part VI.1 of the Tax Act at a rate such that corporate holders of Series W Preferred Shares will not be required to pay tax under Part IV.1 of the Tax Act on dividends received on the Series W Preferred Shares. See "Canadian Federal Income Tax Considerations".

Modification

The series provisions attaching to the Series W Preferred Shares may be amended with the written approval of all the holders of the Series W 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.

DEPOSITORY SERVICES

Except as otherwise provided below, the Series W Preferred Shares will be issued in "book-entry only" form and must be purchased, transferred, converted or redeemed through participants ("Participants") 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 W Preferred Shares to be delivered to, and registered in the name of, CDS or its nominee. Except as described below, no purchaser of Series W 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 W Preferred Shares will receive a customer confirmation of purchase from the registered dealer from which the Series W 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 W Preferred Shares. Reference in this short form prospectus to a holder of Series W Preferred Shares means, unless the context otherwise requires, the owner of the beneficial interest in the Series W 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 W 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 W Preferred Shares will be issued in fully registered form to the owners of the beneficial interests in such Series W Preferred Shares or their nominees.

EARNINGS COVERAGES

The Corporation's dividend requirements on all of its preferred shares, after giving effect to the issue of the Series W Preferred Shares to be distributed pursuant to this short form prospectus and adjusted to a pre-tax equivalent using an effective income tax rate of 39.23%, amounted to \$42.3 million for the 12 months ended December 31, 2001. The Corporation's interest requirements for the 12 months then ended amounted to \$218.2 million. The Corporation's earnings before interest, income taxes and preferred share dividends for the 12 months ended December 31, 2001 were \$616.7 million, which is 2.37 times the Corporation's aggregate dividend and interest requirements for this period.

The Corporation's dividend requirements on all of its preferred shares, after giving effect to the issue of the Series W Preferred Shares to be distributed pursuant to this short form prospectus and adjusted to a pre-tax equivalent using an effective income tax rate of 37.11%, amounted to \$41.2 million for the 12 months ended September 30, 2002. The Corporation's interest requirements for the 12 months then ended amounted to \$194.1 million. The Corporation's earnings before interest, income taxes and preferred share dividends for the 12 months ended September 30, 2002 were \$696.6 million, which is 2.96 times the Corporation's aggregate dividend and interest requirements for this period.

RATINGS

The Series W Preferred Shares are rated P-1 (low) with a negative outlook by Standard & Poor's, a division of the McGraw-Hill Companies ("S&P"), and Pfd-2 with a stable outlook by Dominion Bond Rating Service ("DBRS").

A P-1 rating by S&P is the highest of five categories S&P uses in its Canadian preferred share rating scale. "High" and "low" grades may be used to indicate the relative standing of a credit within a particular rating category. A Pfd-2 rating by DBRS is the second highest of five categories granted by DBRS for preferred shares and is granted to companies presenting satisfactory credit quality where protection of dividends and principal is still substantial, but earnings, the balance sheet and coverage ratios are not as strong as Pfd-1 rated companies.

Credit ratings are intended to provide investors with an independent measure of the credit quality of an issue of securities. Neither of the foregoing ratings should be construed as a recommendation to buy, sell or hold securities. Either of the foregoing ratings may be revised or withdrawn at any time by the rating organization.

RISK FACTORS

A prospective purchaser of Series W Preferred Shares should carefully consider the following investment considerations before making a decision to purchase the Series W Preferred Shares, as well as the other information contained in this short form prospectus and the documents incorporated by reference herein, including, in particular, the information described under the heading "Business Risks" in the Corporation's management's discussion and analysis of financial condition and results of operations for the year ended December 31, 2001.

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

The Series W Preferred Shares are equity capital of the Corporation which rank equally with other Series Second 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 Series W Preferred Shares and other preferred shares.

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, the following is a summary of the principal Canadian federal income tax considerations generally applicable, at the date hereof, to a prospective purchaser of Series W Preferred Shares who, for the purposes of the Tax Act, is resident in Canada, will hold the Series W Preferred Shares as capital property and deals at arm's length with the Corporation and is not affiliated with the Corporation. Series W Preferred Shares acquired by "financial institutions", as defined in the Tax Act for purposes of the "mark-to-market" rules, will generally not be held as capital property by such purchasers. Purchasers who do not hold their Series W Preferred Shares as capital property should consult their own tax advisors with respect to their own particular circumstances.

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 purchaser. Prospective purchasers should consult their own tax advisors with respect to their particular circumstances.

This summary is based upon the current provisions of the Tax Act, the regulations thereunder, all specific proposals to amend the Tax Act and such regulations publicly announced by the Minister of Finance prior to the date hereof (the "Proposals") and counsels' understanding of the current administrative and assessing practices of the Canada Customs and Revenue Agency ("CCRA"). This summary does not otherwise take into account or anticipate any changes in law or in the administrative practices of the CCRA, 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. No assurance can be given that the Proposals will be enacted in their current form or at all.

Dividends

Dividends (including deemed dividends) received on the Series W Preferred Shares by an individual 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.

Dividends (including deemed dividends) received on the Series W Preferred Shares by a corporation will be included in computing the corporation's income and will generally be deductible in computing the corporation's taxable income.

The Series W Preferred Shares are "taxable preferred shares" as defined in the Tax Act. The terms of the Series W 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 W Preferred Shares.

A "private corporation", as defined in the Tax Act, or any other corporation controlled by or for the benefit of an individual or a related group of individuals, 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 W Preferred Shares to the extent such dividends are deductible in computing its taxable income.

Dispositions

A holder who disposes of or is deemed to dispose of Series W 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 W Preferred Shares will generally not be included in computing the holder's proceeds of disposition for purposes of computing the capital gain or loss arising on the disposition of such Series W Preferred Shares. If the holder is a corporation, any capital loss arising on a disposition of a Series W Preferred Share may in certain circumstances be reduced by the amount of any dividends, including deemed dividends, which have been received on the Series W Preferred Share. Analogous rules apply to a partnership or trust of which a corporation, partnership or trust is a member or beneficiary.

One-half of any such capital gain will be included in computing the holder's income as a taxable capital gain and one-half of any such capital loss may be deducted from the holder's taxable capital gains 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. 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 W Preferred Shares, or otherwise acquires or cancels Series W Preferred Shares (other than by a purchase 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 of such shares at such time as computed for purposes of the Tax Act. Generally, the difference between the amount paid 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. 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.

PLAN OF DISTRIBUTION

Under an agreement dated November 19, 2002 (the "Underwriting Agreement") between the Corporation and the Underwriters, the Corporation has agreed to sell and the Underwriters have agreed to purchase on

December 3, 2002, or on such later date as may be agreed upon, but in any event not later than December 31, 2002, all but not less than all of the Series W Preferred Shares at a price of \$25.00 per share, payable in cash to the Corporation against delivery of the Series W Preferred Shares, and the Corporation has agreed to pay the Underwriters a fee equal to \$0.25 per Series W Preferred Share for shares sold to certain institutions by closing of the offering and \$0.75 per share with respect to all other Series W Preferred Shares purchased by the Underwriters. All fees payable to the Underwriters will be paid on account of services rendered in connection with the offering and will be paid out of the general funds of the Corporation.

The obligations of the Underwriters under the Underwriting Agreement are several and not joint, and may be terminated at their discretion upon the occurrence of certain stated events. The Underwriters are, however, obligated to take up and pay for all the Series W Preferred Shares if any Series W Preferred Shares are purchased under the Underwriting Agreement. The Underwriters have agreed not to offer, sell or deliver any Series W Preferred Shares in the United States or to U.S. persons.

The Underwriters may not, during the period of distribution under this short form prospectus, bid for or purchase Series W 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 trading activity in, or raising the price of, the Series W Preferred Shares. These exceptions include a bid or purchase permitted under the by-laws and rules of the TSX 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. In connection with this offering, and subject to the foregoing and to applicable law, the Underwriters may over-allot or effect transactions that stabilize or maintain the market price of the Series W Preferred Shares at levels other than those that might otherwise prevail on the open market. Such transactions, if commenced, may be discontinued at any time.

Pursuant to the terms of the Underwriting Agreement, the Corporation and each of its subsidiaries shall not sell, or announce their intention to sell, nor authorize or issue, any preferred shares other than the Series W Preferred Shares during the period commencing on the date of this short form prospectus and ending 90 days after the closing date of this offering, without the prior written consent of BMO Nesbitt Burns Inc. and RBC Dominion Securities Inc., on behalf of the Underwriters, such consent not to be unreasonably withheld.

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 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, including non-recourse debt 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 affiliate's equity therein, is approximately \$1.5 billion, of which approximately \$196.2 million was drawn as of September 30, 2002. The Corporation and its affiliates are in compliance with the terms of these credit facilities. The decision of each Underwriter to participate in this offering was made independently of its bank parent. None of the proceeds of this offering will be applied for the benefit of the Underwriters or any of their related issuers.

The TSX has conditionally approved the listing of the Series W Preferred Shares. Listing is subject to the Corporation fulfilling all of the requirements of the TSX on or before February 17, 2003.

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 compliance with the prudent investment standards and the general investment provisions of the following statutes (and, where applicable, the regulations thereunder) and, in certain cases, subject to the satisfaction of additional requirements relating to investment or lending policies, procedures or goals, and, in certain circumstances, the filing of such policies, procedures and goals, the Series W Preferred Shares offered hereunder, if issued on the date hereof, would not be precluded as investments under or by the following statutes:

Insurance Companies Act (Canada)
Pension Benefits Standards Act, 1985 (Canada)
Trust and Loan Companies Act (Canada)
Financial Institutions Act (British Columbia)
Pension Benefits Standards Act (British Columbia)
Employment Pension Plans Act (Alberta)
Insurance Act (Alberta)
Loan and Trust Corporations Act (Alberta)

The Pension Benefits Act (Manitoba)
Loan and Trust Corporations Act (Ontario)
Pension Benefits Act (Ontario)
an Act respecting insurance (Quebec)
an Act respecting trust companies and savings companies (Quebec)
Supplemental Pension Plans Act (Quebec)

In addition, in the opinion of such counsel, the Series W Preferred Shares offered hereby will, on the date of issue, be qualified investments under the Tax Act and the regulations thereunder for trusts governed by registered retirement savings plans, registered retirement income funds, registered education savings plans or deferred profit sharing plans, and will not constitute foreign property, as that term is defined in the Tax Act, for such plans.

TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar for the Series W Preferred Shares is CIBC Mellon Trust Company at its principal offices in Montreal, Toronto, Calgary and Vancouver.

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 November 19, 2002, 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. W.L. Britton and R.T. Booth are partners of Bennett Jones LLP and directors of the Corporation.

PURCHASER'S STATUTORY RIGHTS

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, damages if the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that the remedies for rescission 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.

CERTIFICATES

Dated: November 26, 2002

This short form prospectus, together with the documents incorporated herein by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by the securities legislation of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, New Brunswick, Prince Edward Island, Nova Scotia and Newfoundland. For the purposes of the Province of Quebec, this simplified prospectus, as supplemented by the permanent information record, contains no misrepresentation that is likely to affect the value or the market price of the securities to be distributed.

(Signed) N.C. SOUTHERN
Co-Chairman of the Board
and Chief Executive Officer

(Signed) J.A. CAMPBELL
Senior Vice President, Finance
and Chief Financial Officer

On behalf of the Board of Directors

(Signed) W.L. BRITTON
Director

(Signed) B.K. FRENCH
Director

To the best of our knowledge, information and belief, this short form prospectus, together with the documents incorporated herein by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by the securities legislation of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, New Brunswick, Prince Edward Island, Nova Scotia and Newfoundland. For the purposes of the Province of Quebec, to our knowledge, this simplified prospectus, as supplemented by the permanent information record, contains no misrepresentation that is likely to affect the value or the market price of the securities to be distributed.

BMO NESBITT BURNS INC.

RBC DOMINION SECURITIES INC.

By: (Signed) AARON M. ENGEN

By: (Signed) TIMOTHY W. WATSON

TD SECURITIES INC.

By: (Signed) ROBERT J. MASON