Base Shelf Prospectus

This short form prospectus has been filed under legislation in all provinces of Canada that permits certain information about these securities to be determined after this prospectus has become final and that permits the omission from this prospectus of that information. The legislation requires the delivery to purchasers of a prospectus supplement containing the omitted information within a specified period of time after agreeing to purchase any of these securities.

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

New Issue October 26, 2001

CU INC.
An ATCO Company

CU Inc.

$750,000,000 Debentures (Unsecured)

The Debentures (the "Debentures") will be issued in book-entry-only form in denominations of $1,000 and integral multiples thereof. The Debentures will be unsecured, will rank pari passu with all other unsecured indebtedness of CU Inc. (the "Corporation"), and will be issued upon terms determined by the Corporation from time to time based on a number of factors, including market conditions at the time of issue and advice from the Dealers (as defined below). See "Description of the Debentures".

The Debentures will be offered on a continuous basis pursuant to an MTN program established by the Corporation. The Debentures will be issued from time to time in an aggregate principal amount of up to $750,000,000 during the 25 month period that this short form prospectus remains valid. The specific variable terms of any offering of Debentures, including the aggregate principal amount of Debentures offered, the issue and delivery date, the maturity date, the interest rate, the interest payment date(s), the Dealers' commission, the method of distribution and the actual proceeds to the Corporation, will be set forth in a pricing supplement which will accompany this short form prospectus. The Corporation reserves the right to issue securities under its MTN program on terms which are outside the intended parameters disclosed in this short form prospectus.

There is no market through which these securities may be sold and purchasers may not be able to resell securities purchased under the short form prospectus. In the opinion of counsel, the Debentures, if issued on the date hereof, would be eligible for investment under certain statutes as set out under "Eligibility for Investment".

Rates on Application

The Debentures may be offered severally by BMO Nesbitt Burns Inc., RBC Dominion Securities Inc. and TD Securities Inc. (the "Dealers") acting as exclusive agents of the Corporation, subject to confirmation by the Corporation. The rate of commission payable in connection with sales by the Dealers of Debentures shall be as determined from time to time by mutual agreement. The Debentures also may be purchased from time to time by any of the Dealers, as principals, at such prices and with such commissions as may be agreed between the Corporation and any such Dealers, for resale to the public at prices to be negotiated with each purchaser. Such resale prices may vary during the distribution period and as between purchasers. The Dealers' compensation will be increased or decreased by the amount by which the aggregate price paid for Debentures by purchasers exceeds or is less than the aggregate price paid by the Dealers, acting as principals, to the Corporation.

The Dealers 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 Dealers 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, Corporate Secretary of CU Inc. at 1500 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, Corporate Secretary of CU Inc. at the above-mentioned address and telephone number.

The following documents of the Corporation filed with securities commissions or similar authorities in Canada are specifically incorporated by reference in this short form prospectus:

(a) annual information form dated April 10, 2001, including "Management's Discussion and Analysis of Financial Condition and Results of Operations" for the year ended December 31, 2000 contained therein;

(b) annual filing of reporting issuer dated April 10, 2001, except those portions that are not required to be incorporated by reference pursuant to National Instrument 44-101;

(c) comparative financial statements for the year ended December 31, 2000, together with the report of the auditor thereon;

(d) comparative interim financial statements for the six month period ended June 30, 2001; and

(e) management's discussion and analysis for the six month period ended June 30, 2001;

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 is also incorporated by reference in this short form prospectus.

Any material change reports (except confidential material change reports), financial statements and information circulars or annual filings 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 until such time as a new annual information form and the related annual financial statements are filed by the Corporation, at which time the previous annual information form, the previous annual financial statements and all interim financial statements, material change reports, information circulars and annual filings filed prior to the Corporation's financial year in which the new annual information form is filed shall no longer be incorporated by reference in this short form prospectus for purposes of future offers and sales of Debentures hereunder.

All information permitted by National Instrument 44-102 to be omitted from this base shelf prospectus will be contained in one or more shelf prospectus supplements that will be delivered to purchasers together with this base shelf prospectus. Each shelf prospectus supplement will be incorporated by reference into this base shelf prospectus for the purposes of securities legislation as of the date of the shelf prospectus supplement and only for the purposes of the distribution of the securities to which the shelf prospectus supplement pertains.

CU INC.

CU Inc. was incorporated under the laws of Canada on March 12, 1999. The address of the principal office of the Corporation is 1500 ATCO Centre, 909 - 11th Avenue S.W., Calgary, Alberta T2R 1N6.

The Corporation is a holding company. Its principal operating subsidiaries are engaged in natural gas and electric energy utility operations, primarily in Alberta.

RECENT DEVELOPMENTS

On September 14, 2001, ATCO Gas and Pipelines Ltd. ("ATCO Gas") filed a Review and Variance application with the Alberta Energy and Utilities Board ("AEUB") requesting that the AEUB reconsider its decisions to deny the sale of the Viking-Kinsella natural gas producing property. The request arises for two reasons: a higher price has been negotiated with the purchaser, and certain elements were not considered in the AEUB's calculation of the future value of gas production to ATCO Gas customers.

On August 24, 2001, ATCO Gas filed an application with the Alberta Court of Appeal for leave to appeal the decisions of the AEUB respecting ATCO Gas' applications to sell its Viking-Kinsella, Lloydminster and other non-operated natural gas producing properties.

On October 12, 2001, ATCO Gas North and ATCO Gas South filed applications with the AEUB for approval to reduce gas cost recovery rates that will be in effect from November 1, 2001. Applications were also made to refund a total of $136.2 million to customers. The refund is the estimated difference between what ATCO Gas has paid its suppliers for natural gas and what it will have collected from customers by October 31, 2001. While these recoveries and refunds will have an impact on revenues and expenses, they will not have any effect on the Corporation's earnings.

On October 1, 2001, the Corporation redeemed all of its outstanding 9.85% Debentures 1986 Series at an aggregate redemption cost of $100.0 million. The redemption was financed from the Corporation's cash balances.

PLAN OF DISTRIBUTION

Pursuant to a dealer agreement dated October 26, 2001 (the "Agreement") between the Corporation and BMO Nesbitt Burns Inc., RBC Dominion Securities Inc. and TD Securities Inc. (collectively, the "Dealers"), the Dealers are authorized, as exclusive agents of the Corporation for this purpose only, to solicit offers to purchase Debentures directly and through other Canadian investment dealers. The rate of commission payable in connection with sales by the Dealers of Debentures shall be as determined from time to time by mutual agreement. The Agreement also provides that Debentures may be purchased from time to time by any of the Dealers, as principals, at such prices and with such commissions as may be agreed between the Corporation and any such Dealers, for resale to the public at prices to be negotiated with each purchaser. The obligations of any such Dealer as principal may, if agreed to by the applicable Dealer and the Corporation at the time of such sale, be subject to certain conditions and may be subject to the Dealer's right to terminate such obligations at its discretion upon the occurrence of certain stated events. Such resale prices may vary during the distribution period and as between purchasers. The Dealers' compensation will be increased or decreased by the amount by which the aggregate price paid for Debentures by purchasers exceeds or is less than the aggregate price paid by the Dealers, acting as principals, to the Corporation.

The Dealers 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 Dealers 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 $1,694.4 million, of which $533.5 million was drawn on June 30, 2001. The aggregate amount of such credit facilities available to the Corporation and its subsidiaries is $613.6 million, none of which was drawn as of June 30, 2001. The decision of each Dealer to participate in this offering was made independently of its bank parent. No Dealer will receive any benefit from this offering other than its portion of the commission payable by the Corporation.

In connection with any offering of Debentures, the Dealers may over-allot or effect transactions which stabilize or maintain the market price of the Debentures offered at a level above that which might otherwise prevail in the open market. Such transactions, if commenced, may be discontinued at any time.

The Dealers may from time to time purchase and sell Debentures in the secondary market but are not obligated to do so. There can be no assurance that there will be a secondary market for the Debentures. The offering price and other selling terms for such sales in the secondary market may, from time to time, be varied by such Dealer.

The Corporation has agreed to indemnify the Dealers and their directors, officers and employees against liabilities arising out of, among other things, any misrepresentation in this short form prospectus and the documents incorporated by reference therein, other than liabilities arising out any misrepresentation made by the Dealers.

The Corporation and, if applicable, the Dealers, reserve the right to reject any offer to purchase Debentures in whole or in part. The Corporation also reserves the right to withdraw, cancel or modify the offering of Debentures under this short form prospectus without notice.

APPLICATION OF PROCEEDS

The net proceeds to be received by the Corporation from the issue and sale from time to time of the Debentures will be added to the general funds of the Corporation to be used to finance the Corporation's capital expenditures, to reduce outstanding indebtedness and for other general corporate purposes. All expenses relating to an offering of Debentures, including any compensation paid to the Dealers, will be paid out of the Corporation's general funds. The Corporation may, from time to time, issue debt instruments and incur additional indebtedness otherwise than through the issue of Debentures pursuant to this short form prospectus.

DESCRIPTION OF THE DEBENTURES

The following description sets forth certain general terms and provisions of the Debentures. For full particulars reference should be made to the Trust Indenture referred to below. The specific variable terms of any offering of Debentures will be set forth in a pricing supplement which will accompany this short form prospectus. The Corporation reserves the right to issue securities under its MTN program on terms which are outside the intended parameters disclosed in this short form prospectus.

General

The Debentures will be issued under a trust indenture dated as of July 1, 1999 (the "Trust Indenture") made between the Corporation and CIBC Mellon Trust Company, as Trustee. The Trust Indenture provides for the issuance of debentures in addition to the Debentures without limit as to principal amount, subject to compliance with the conditions contained in the Trust Indenture.

The Debentures will be direct unsecured obligations of the Corporation and will rank pari passu (except as to sinking funds) with all other unsubordinated and unsecured indebtedness of the Corporation, including other debentures issued under the Trust Indenture.

The Debentures will have maturities of not less than one year and will be interest-bearing. The Debentures will be issued in denominations of $1,000 and integral multiples thereof.

All Debentures will be represented in the form of fully registered book entry only debentures ("BEO Debentures") held by, or on behalf of, The Canadian Depository for Securities Limited or a successor thereof (the "Depository") as custodian of the BEO Debentures (for its participants) and registered in the name of the Depository or its nominee (the "Nominee"). Except as described below, purchasers of Debentures will not receive Debentures in definitive form ("Definitive Debentures"). Beneficial interests in the Debentures will be represented through book-entry accounts of institutions (including the Dealers) acting on behalf of beneficial owners, as direct and indirect participants of the Depository ("participants"). Each purchaser of a Debenture represented by a BEO Debenture will receive a customer confirmation of purchase from the Dealer or Dealers from whom the Debenture is purchased in accordance with the practices and procedures of the selling Dealer or Dealers. The practices of the Dealers may vary, but generally customer confirmations are issued promptly after execution of a customer order. The Depository will be responsible for establishing and maintaining book-entry accounts for its participants having interests in BEO Debentures.

Debentures will not be redeemable at the option of the Corporation or repayable at the option of the holder prior to maturity, unless otherwise specified in the applicable pricing supplement. The Corporation may purchase Debentures at any time and at any price on the open market or otherwise.

Transfer

Transfers of beneficial ownership of Debentures represented by BEO Debentures will be effected through records maintained by the Depository for such BEO Debentures or the Nominee (with respect to interests of participants) and on the records of participants (with respect to interests of persons other than participants). Beneficial owners who are not participants in the Depository's book-entry system, but who desire to purchase, sell or otherwise transfer ownership of or other interest in BEO Debentures, may do so only through participants in the Depository's book-entry system. A beneficial owner's interest in a Debenture represented by a BEO Debenture may be exchanged for a Definitive Debenture only in the limited circumstances set forth below.

The ability of a beneficial owner of an interest in a Debenture represented by a BEO Debenture to pledge the Debenture or otherwise take action with respect to such owner's interest in a Debenture represented by a BEO Debenture (other than through a participant) may be limited due to the lack of a physical certificate.

If the Depository notifies the Corporation that it is unwilling or unable to continue to act as depository in connection with the BEO Debentures, or if at any time the Depository ceases to be a clearing agency or otherwise ceases to be eligible to be a depository and the Corporation is unable to locate a qualified successor, or if the Corporation elects to terminate the book-entry system, beneficial owners of Debentures represented by BEO Debentures will receive Definitive Debentures.

The registered holder of a Definitive Debenture may transfer it upon payment of any taxes and transfer fees incidental thereto by executing a form of transfer and returning it along with the Definitive Debenture to the principal corporate trust office of CIBC Mellon Trust Company in the cities of Montreal, Toronto, Calgary and Vancouver for issuance of one or more new Definitive Debentures in authorized denominations in the same aggregate principal amount registered in the name(s) of the transferee(s).

Payment of Interest and Principal

Payments of interest and principal on each BEO Debenture will be made to the Depository or the Nominee, as the case may be, as registered holder of the BEO Debenture. A record date will be established at least ten business days (and not more than 30 business days) prior to a payment date. Interest payments on BEO Debentures will be made by cheque dated the date interest is payable and delivered to the Depository or the Nominee, as the case may be, at least two business days before the date interest is payable, or in any other manner acceptable to the Trustee. As long as the Depository or the Nominee is the registered holder of a BEO Debenture, the Depository or the Nominee, as the case may be, will be considered the sole owner of the BEO Debenture for the purposes of receiving payment on the Debenture and for all other purposes under the Trust Indenture and the Debenture.

The Corporation expects that the Depository or Nominee, upon receipt of any principal or interest payment in respect of a BEO Debenture, will credit on the date principal or interest is payable participants' accounts with payments in amounts proportionate to their respective beneficial interests in the principal amount of such BEO Debenture as shown on the records of the Depository or Nominee. The Corporation also expects that payments of principal and interest by participants to the owners of beneficial interests in such BEO Debenture held through such participants will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such participants. The responsibility and liability of the Corporation and the Trustee in respect of Debentures represented by BEO Debentures is limited to making payment of any principal and interest due on such BEO Debentures to the Depository or the Nominee.

Covenants

The Trust Indenture contains covenants, which should be read in conjunction with the definitions referred to below, to the effect that so long as any of the Debentures remain outstanding:

Encumbrances on Assets

The Corporation will not, and will not permit any subsidiary to, create, assume or suffer to exist any Security Interest on any of its assets to secure any Indebtedness unless at the same time the Corporation shall secure or cause to be secured equally and rateably with such Indebtedness all of the debentures issued under the Trust Indenture which are then outstanding; provided that this covenant will not apply to nor operate to prevent, among other things: (i) pre-existing Security Interests or Security Interests granted in connection with the refinancing of outstanding secured Indebtedness, provided that the security for such refinancing Indebtedness is limited to all or a part of the property which secured the Indebtedness refinanced and the principal amount of obligations secured is not increased; (ii) the creation, issue or assumption by the Corporation or any subsidiary of Capital Lease Obligations or Purchase Money Mortgages; (iii) Security Interests granted by law or incurred in the ordinary course of business which do not materially impair the use or value of the property in question; and (iv) Security Interests between the Corporation and its subsidiaries.

Additional Funded Indebtedness

The Corporation will not issue or become liable in respect of any Funded Indebtedness (other than Capital Lease Obligations, Purchase Money Obligations, Financial Instrument Obligations, Funded Indebtedness issued by the Corporation to a subsidiary, and Funded Indebtedness issued to refund outstanding Funded Indebtedness of the Corporation in an amount not exceeding the principal amount of the Funded Indebtedness being refunded) unless after giving effect thereto Consolidated Indebtedness will not exceed 75% of Total Consolidated Capitalization.

The Trust Indenture contains provisions contemplating the deferred delivery of a portion of an issue of Funded Indebtedness for a period of up to one year. Under such provisions, the portion of any such issue, delivery of which is deferred, will be deemed to have been issued on the date of the first delivery of the issue of which it forms part and will not be deemed to be issued thereafter.

Indebtedness of Subsidiaries

The Corporation will not permit any subsidiary of the Corporation to issue or in any other manner become liable in respect of:

(a) any Funded Indebtedness (other than Capital Lease Obligations, Purchase Money Obligations, Financial Instrument Obligations, Funded Indebtedness issued by a subsidiary to the Corporation or to another subsidiary, and Funded Indebtedness issued to refund outstanding Funded Indebtedness of a subsidiary in an amount not exceeding the principal amount of the Funded Indebtedness being refunded); or

(b) any Indebtedness (other than Indebtedness issued to the Corporation or to another subsidiary) unless after giving effect thereto the aggregate amount of Indebtedness of the subsidiaries will not exceed an amount equal to 10% of the aggregate Funded Indebtedness of the Corporation.

Sale of Assets and Amalgamations

The Corporation will not enter into any transaction whereby all or substantially all of its undertaking, property and assets would become the property of any other person, whether by way of reorganization, consolidation, amalgamation, arrangement, merger, transfer, sale, or otherwise, provided that nothing contained in the Trust Indenture will prevent any such transaction:

(a) if the surviving or purchasing company assumes all of the obligations of the Corporation under the Trust Indenture and otherwise meets the requirements of the Trust Indenture; or

(b) if such transaction is between or among the Corporation and its subsidiaries.

Events of Default

The holders of all debentures issued under the Trust Indenture are entitled to the rights provided to debenture holders in the Trust Indenture upon the occurrence of an event of default. For the purposes of the Trust Indenture, an event of default includes the failure of the Corporation or any subsidiary to pay when due (after giving effect to any applicable grace periods, waivers and extensions) any amount owing in respect of any Indebtedness other than the debentures, provided that the aggregate principal amount of such Indebtedness in respect of which payment has not been made exceeds $25 million.

Definitions

The Trust Indenture contains, among others, definitions substantially to the following effect:

"Capital Lease Obligation" means the obligation of a person, as lessee, to pay rent or other amounts to the lessor under a lease of real or personal property which is required to be classified and accounted for as a capital lease on a consolidated balance sheet of such person in accordance with generally accepted accounting principles in effect in Canada.

"Consolidated Indebtedness" means the aggregate amount of all Indebtedness of the Corporation and its subsidiaries determined on a consolidated basis.

"Financial Instrument Obligations" means obligations arising under interest rate, currency or commodity swap agreements, forward rate agreements, floor, cap or collar agreements, futures or options, or other similar agreements or arrangements.

"Funded Indebtedness" means Indebtedness of a person that on the date of issue thereof by such person or on the date that such person otherwise becomes liable in respect thereof has a term to maturity greater than 18 months after taking into account any renewals or extensions which are available at the sole option of such person.

"Indebtedness" means, with respect to any person, without duplication,

(a) all obligations of such person for borrowed money, including obligations with respect to bankers' acceptances and contingent reimbursement obligations relating to letters of credit and other financial instruments,

(b) all Financial Instrument Obligations,

(c) all obligations issued or assumed by such person in connection with the acquisition of property in respect of the deferred purchase price of property;

(d) all Capital Lease Obligations and Purchase Money Obligations of such person, and

(e) all obligations of the type referred to in clauses (a) through (d) of this definition of another person, the payment of which such person has guaranteed or for which such person is responsible or liable,

provided that obligations of such person or of another person of the type referred to in clauses (a) through (c) of this definition shall exclude trade accounts payable, dividends and other distributions payable to shareholders, future income taxes, obligations in respect of preferred shares, accrued liabilities arising in the ordinary course of business which are not overdue or which are being contested by such person or such other person in good faith, and non-monetary obligations in respect of performance guarantees.

"Purchase Money Mortgage" means any Security Interest created, issued or assumed by a person to secure a Purchase Money Obligation, provided that such Security Interest is limited to the property (including the rights associated therewith) purchased, constructed, installed or improved in connection with such Purchase Money Obligation.

"Purchase Money Obligation" means Indebtedness of a person incurred or assumed to finance the purchase price, in whole or in part, of any property (excluding any Indebtedness which constitutes Funded Indebtedness and which was incurred or assumed to finance the purchase price, in whole or in part, of any securities) or incurred to finance the cost, in whole or in part, of construction or installation of or improvements to any property, provided that such Indebtedness is incurred or assumed within 24 months after the purchase of such property or the completion of such construction, installation or improvements, as the case may be, and includes any extension, renewal or refunding of any such Indebtedness so long as the principal amount thereof outstanding on the date of such extension, renewal or refunding is not thereby increased.

"Security Interest" means any assignment, mortgage, charge (whether fixed or floating), hypothec, pledge, lien, or other encumbrance on or interest in property or assets that secures payment of Indebtedness.

"Total Consolidated Capitalization" means, at a particular time, without duplication, the sum of

(a) the principal amount of all Consolidated Indebtedness at such time,

(b) the total capital represented by the issued and outstanding share capital, including preferred shares, of the Corporation at such time, based, in the case of shares having a par value, upon their par value, and, in the case of shares of no par value, upon the value stated on the books of the Corporation,

(c) the total amount of (or less the amount of any net deficits in) the consolidated contributed or capital surplus and retained earnings of the Corporation, and

(d) the amount of any provision for future income taxes,

all as shown on a balance sheet of the Corporation prepared on a consolidated basis in accordance with generally accepted accounting principles in effect in Canada at such time.

Modification

The Trust Indenture provides that modifications and alterations thereto and to the debentures, including the Debentures, may be made if authorized by extraordinary resolution. The term “extraordinary resolution” is defined in the Trust Indenture to mean, in effect, a resolution passed by the affirmative vote of the holders of not less than 66 2/3% of the debentures represented and voting at a meeting of debenture holders or an instrument in writing signed by the holders of not less than 66 2/3% of the debentures. In certain cases, the modification will require separate assent by the holders of the required percentages of debentures of each series. However, if the modification does not adversely affect the rights of the holders of debentures of a particular series, the assent of the holders of debentures of such particular series is not required.

RATINGS

The debentures of the Corporation have been rated A+ by Standard & Poor’s (“S&P”) and A (high) by Dominion Bond Rating Service Limited (“DBRS”).

S&P states that its issue credit ratings are based, in varying degrees, on (i) the likelihood of payment-capacity and willingness of the obligor to meet its financial commitment on an obligation in accordance with the terms of the obligation; (ii) the nature of and provisions of the obligation; and (iii) the protection afforded by, and relative position of, the obligation in the event of bankruptcy, reorganization, or other arrangement under the laws of bankruptcy and other laws affecting creditors’ rights. S&P’s issue rating definitions are expressed in terms of default risk. As such, they pertain to senior obligations of an entity. According to S&P, an obligation rated A is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligations in higher rated categories. However, according to S&P, the obligor’s capacity to meet its financial commitment on the obligation is still strong. The addition of a plus or minus sign shows relative standing within the major rating categories. An A+ rating by S&P is the highest of the three subcategories within the third highest of nine categories.

DBRS states that its long term debt ratings are meant to give an indication of the risk that the borrower will not fulfill its obligations in a timely manner with respect to both interest and principal commitments. DBRS ratings do not take factors such as pricing or market risk into consideration and are expected to be used by purchasers as one part of their investment process. Every DBRS rating is based on quantitative and qualitative considerations that are relevant for the borrowing entity. According to DBRS, bonds rated A are of satisfactory credit quality, protection of interest and principal is still substantial, but the degree of strength is less than with AA rated entities, and while a respectable rating, entities in the A category are considered to be more susceptible to adverse economic conditions and have greater cyclical tendencies than higher rated companies. High and low grades are used to indicate the relative standing of a credit within a particular rating category. An A (high) rating by DBRS is the highest of the three subcategories within the third highest of nine categories.

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.

EARNINGS COVERAGE RATIOS

The following consolidated earnings coverage ratios are calculated for the twelve month periods ended on the dates indicated:

	December 31, 2000	**June 30, 2001**
Consolidated Earnings Coverage..	3.01 times (1)	2.86 times (2)

Notes:

(1) The Corporation’s interest requirements amounted to $150.5 million for the 12 months ended December 31, 2000. The Corporation’s earnings before interest and income taxes for the 12 months ended December 31, 2000, were $452.8 million.

(2) The Corporation’s interest requirements amounted to $153.8 million for the 12 months ended June 30, 2001. The Corporation’s earnings before interest and income taxes for the 12 months ended June 30, 2001, were $439.5 million.

(3) The above ratios do not give effect to the issue of any Debentures under this short form prospectus.

RISK FACTORS

A prospective purchaser of Debentures should carefully consider the information described under the heading “Management's Discussion and Analysis of Financial Condition and Results of Operations - Business Risks” found on page 15 of the Corporation's annual information form dated April 10, 2001 incorporated by reference in this short form prospectus, as well as the other information contained in this short form prospectus.

ELIGIBILITY FOR INVESTMENT

In the opinion of Bennett Jones LLP and Blake, Cassels & Graydon LLP, subject to compliance with the prudent investment standards and 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 or goals and, in certain circumstances, the filing of such policies or goals, the Debentures are not, at the date hereof, precluded as investments under the following statutes:

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

In the opinion of such counsel, provided that Canadian Utilities Limited has a class of shares listed on a prescribed stock exchange, the Debentures will be qualified investments under the *Income Tax Act* (Canada) for a trust governed by a registered retirement savings plan, a registered education savings plan, a registered retirement income fund or a deferred profit sharing plan (other than a trust governed by a deferred profit sharing plan for which the named employer is the Corporation or a corporation that does not deal at arm's length with the Corporation).

LEGAL MATTERS

Certain legal matters relating to the offering of Debentures will be passed upon by Bennett Jones LLP on behalf of the Corporation and by Blake, Cassels & Graydon LLP on behalf of the Dealers. As at October 26, 2001, 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. Mr. W.L. Britton is a partner of Bennett Jones LLP and a director 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, 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: October 26, 2001

This short form prospectus, together with the documents incorporated in this prospectus by reference, will, as of the date of the last supplement to this prospectus relating to the securities offered by this prospectus and the supplement(s), constitute full, true and plain disclosure of all material facts relating to the securities offered by this prospectus and the supplement(s) as required by the securities legislation of all provinces of Canada and will not contain any misrepresentation 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 in this prospectus by reference, will, as of the date of the last supplement to this prospectus relating to the securities offered by this prospectus and the supplement(s), constitute full, true and plain disclosure of all material facts relating to the securities offered by this prospectus and the supplement(s) as required by the securities legislation of all provinces of Canada and will not contain any misrepresentation 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