

Base Shelf Prospectus

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

A copy of this preliminary short form prospectus has been filed with the securities regulatory authorities in each of the provinces of Canada but has not yet become final for the purpose of the sale of securities. Information contained in this preliminary short form prospectus may not be complete and may have to be amended. The securities may not be sold until a receipt for the short form prospectus is obtained from the securities regulatory authorities.

This short form prospectus has been filed under legislation in each of the 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.

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 Corporate Secretary of CU Inc. at 700 ATCO Centre, 909 - 11th Avenue S.W., Calgary, Alberta T2R 1N6 (telephone: (403) 292-7500), and are also available electronically at www.sedar.com.

Preliminary Short Form Base Shelf Prospectus

New Issue

May 5, 2016



\$1,500,000,000 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 a medium term note ("MTN program") program established by the Corporation. The Debentures will be issued from time to time in an aggregate principal amount of up to \$1,500,000,000 during the 25 month period that this short form prospectus remains effective. 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 that will accompany this short form prospectus. The Corporation reserves the right to issue securities under its MTN program on terms that 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 this short form prospectus. This may affect the pricing of the securities in the secondary market, the transparency and availability of trading prices, the liquidity of the securities, and the extent of issuer regulation. See "Risk Factors". In the opinion of Counsel, provided that the Corporation is controlled by Canadian Utilities Limited and Canadian Utilities Limited has a class of shares listed on a designated stock exchange (which includes the Toronto Stock Exchange), the Debentures, if issued on the date hereof, generally would be qualified investments under the *Income Tax Act* (Canada) and the regulations thereunder (the "Tax Act") for certain tax-exempt plans. See "Eligibility for Investment". The head and registered office of the Corporation is at 700 ATCO Centre, 909 - 11th Avenue S.W., Calgary, Alberta T2R 1N6.

Rates on Application

The Debentures may be offered severally by RBC Dominion Securities Inc., BMO Nesbitt Burns Inc., TD Securities Inc., Scotia Capital Inc. and CIBC World Markets Inc. (the "Dealers") acting as exclusive agents of the Corporation, subject to confirmation by the Corporation. The Debentures may also 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 the Debentures by purchasers exceeds or is less than the aggregate price paid by the Dealers, acting as principals, to the Corporation. See "Plan of Distribution".

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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FORWARD-LOOKING STATEMENTS

Certain statements contained in this short form prospectus 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 short form prospectus 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 short form prospectus 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 law.

DOCUMENTS INCORPORATED BY REFERENCE

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

- (a) annual information form dated February 24, 2016;
- (b) audited comparative consolidated financial statements, together with the accompanying report of the auditor, for the years ended December 31, 2015 and 2014;
- (c) management's discussion and analysis for the year ended December 31, 2015 and the earnings coverage ratio filed as an exhibit thereto;
- (d) comparative interim consolidated financial statements for the three months ended March 31, 2016; and
- (e) management's discussion and analysis for the three months ended March 31, 2016 and the earnings coverage ratio filed as an exhibit thereto;

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

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 short form prospectus and before the termination of the distribution, are deemed to be incorporated by reference in this short form prospectus.

Any statement contained in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for purposes of this short form prospectus 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 short form prospectus.

All information permitted by National Instrument 44-102 – *Shelf Distributions* 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.

In addition, certain "marketing materials" (as defined in National Instrument 41-101 – *General Prospectus Requirements* ("NI 41-101")) may be used in connection with a distribution of the Debentures. Any "template version" (as defined in NI 41-101) of any marketing materials filed after the date of a prospectus supplement and before the termination of the distribution of the Debentures offered pursuant to such prospectus supplement (together with this short form prospectus) will be deemed to be incorporated by reference in such prospectus supplement for the purposes of the distribution of Debentures to which the prospectus supplement pertains.

CU INC.

CU Inc., a wholly owned subsidiary of Canadian Utilities Limited, was incorporated under the laws of Canada on March 12, 1999.

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

PLAN OF DISTRIBUTION

Pursuant to a dealer agreement dated •, 2016 (the "Agreement"), between the Corporation and 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 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 the 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 is approximately \$2.6 billion, of which approximately \$302 million was drawn as of March 31, 2016. These facilities 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 and the lenders have not waived any breaches thereof. Neither the Corporation's financial position nor the value of the security under these facilities has materially changed, in an adverse manner, since the indebtedness of the Corporation under these facilities was incurred. The decision of each Dealer to participate in this offering was made independently of its bank parent. All or a portion of the proceeds from any offering of Debentures may be used to repay the indebtedness of the Corporation. See "Use of Proceeds".

In connection with any offering of Debentures, the Dealers may over-allot or effect transactions that 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 the Dealers.

The Corporation has agreed to indemnify the Dealers and their shareholders, agents, 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 herein, other than liabilities arising out of any misrepresentation made by the Dealers. The Dealers have agreed not to offer, sell or deliver any Debentures in the United States or to U.S. persons.

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.

USE OF PROCEEDS

Unless otherwise indicated in a prospectus supplement relating to a particular offering of Debentures, 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 repay existing 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 a summary of 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 "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 following description is subject to the detailed provisions of the Trust Indenture. Accordingly, reference should also be made to the Trust Indenture, a copy of which has been filed

by the Corporation with the securities commission or similar regulatory authority in each of the provinces of Canada and is available electronically at www.sedar.com. Capitalized terms used in this section but not defined, have the meanings set forth under "Description of the Debentures – Definitions".

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, CDS Clearing and Depository Services Inc. 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 from whom the Debenture is purchased in accordance with the practices and procedures of the selling Dealer. 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 and Toronto 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 participants' accounts on the date principal or interest is payable, with such 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 Debentures 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

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 debentures of the Corporation are rated A (high) by DBRS Limited ("DBRS") and A by Standard & Poor's Rating Services, a division of The McGraw-Hill Companies (Canada) Corporation ("S&P").

An A rating by DBRS is the third highest of ten categories. Long term debt rated A is of good credit quality. The capacity for payment of financial obligations is substantial, but of lesser credit quality than AA. A-rated debt may be vulnerable to future events, but qualifying negative factors are considered manageable. Each rating category other than AAA and D contains the subcategories "high" and "low". The absence of either a "high" or "low" designation indicates the rating is in the "middle" of the category.

An A rating by S&P is the third highest of ten categories. An obligation rated A by S&P is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligations in higher-rated categories. However, the obligor's capacity to meet its financial obligation is still strong. Ratings from AA to CCC may be modified by the addition of a plus or minus sign to show relative standing within the major rating 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.

The Corporation made payments to DBRS and S&P in connection with the assignment of the ratings to the debentures of the Corporation and will make payments to DBRS and S&P in connection with the confirmation of such ratings for purposes of this short form prospectus. 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.

EARNINGS COVERAGE RATIOS

The earnings coverage ratios for the 12 month periods ended December 31, 2015 and March 31, 2016 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 interest expense and income taxes divided by interest expense plus capitalized interest.

The Corporation's aggregate interest requirements amounted to \$340 million for the 12 months ended December 31, 2015. The Corporation's earnings before interest expense and income taxes for the 12 months ended December 31, 2015 were \$756 million, which was 2.22 times the Corporation's aggregate interest requirements. The earnings coverage ratio does not reflect any offering of Debentures under this short form prospectus as the aggregate principal amounts and the terms of such Debentures are not presently known.

The Corporation's aggregate interest requirements amounted to \$346 million for the 12 months ended March 31, 2016. The Corporation's earnings before interest expense and income taxes for the 12 months ended March 31, 2016 were \$783 million, which was 2.26 times the Corporation's aggregate interest requirements. This earnings coverage ratio does not reflect any offering of Debentures under this short form prospectus as the aggregate principal amounts and the terms of such Debentures are not presently known.

RISK FACTORS

A prospective purchaser of Debentures should carefully consider the risk factors described under the sections related to business risks in the Corporation's Annual Information Form and in the Corporation's management's discussion and analysis for the year ended December 31, 2015, incorporated by reference in this short form prospectus, as well as the other information contained or incorporated by reference 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 this short form prospectus. This may affect the pricing of the securities in the secondary market, the transparency and availability of trading prices, the liquidity of the securities, and the extent of issuer regulation.

ELIGIBILITY FOR INVESTMENT

In the opinion of counsel to the Corporation, Bennett Jones LLP, and counsel to the Dealers, Blake, Cassels & Graydon LLP (collectively, "Counsel"), based on the current provisions of the Tax Act, provided that the Corporation is controlled by Canadian Utilities Limited and Canadian Utilities Limited has a class of shares listed on a designated stock exchange (which includes the Toronto Stock Exchange), the Debentures, if issued on the date hereof, generally will be qualified investments under the Tax Act for a trust governed by a registered retirement savings plan ("RRSP"), a registered retirement income fund ("RRIF"), a registered education savings plan, a registered disability savings plan, a deferred profit sharing plan (other than a trust governed by a deferred profit sharing plan to which contributions are made by the Corporation or persons or partnerships with which the Corporation does not deal at arm's length for purposes of the Tax Act), or a tax-free savings account ("TFSA").

Notwithstanding the foregoing, if the Debentures are "prohibited investments" for a RRSP, RRIF or TFSA, the annuitant of such RRSP or RRIF or the holder of such TFSA, as the case may be, will be subject to a penalty tax as set out in the Tax Act. The Debentures will not be a "prohibited investment" for a RRSP, RRIF or TFSA provided that the annuitant of the RRSP or RRIF or the holder of the TFSA, as the case may be, deals at arm's length with the Corporation for purposes of the Tax Act and does not have a "significant interest" (within the meaning of the Tax Act) in the Corporation. Generally, a holder or annuitant will have a significant interest in the Corporation if the holder or annuitant and/or persons or partnerships not dealing at arm's length with the holder or annuitant own directly or indirectly 10% or more of the issued shares of any class in the capital stock of the Corporation or a corporation related to the Corporation (within the meaning of the Tax Act).

Prospective purchasers who intend to hold Debentures in a TFSA, RRSP or RRIF are advised to consult with their own tax advisors regarding the application of these and other rules to their own particular circumstances.

AGENT FOR SERVICE OF PROCESS IN CANADA

Roger J. Urwin, a director of the Corporation, who resides outside of Canada, has appointed the following agent as his agent for service of process:

<u>Name of Person</u>	<u>Name and Address of Agent</u>
Roger J. Urwin	CU Inc. 700 ATCO Centre 909 – 11 th Avenue S.W. Calgary, Alberta T2R 1N6

Purchasers are advised that it may not be possible for investors to enforce judgments obtained in Canada against any person or company that is incorporated, continued or otherwise organized under the laws of a foreign jurisdiction or resides outside of Canada, even if the party has appointed an agent for service of process.

INTERESTS OF EXPERTS

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 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 Q.C., 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.

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 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.

CERTIFICATE OF THE CORPORATION

Dated: May 5, 2016

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 each of the provinces of Canada.

(signed) N.C. Southern
Chair &
Chief Executive Officer

(signed) B.R. Bale
Senior Vice President
& Chief Financial Officer

On behalf of the Board of Directors

(signed) L.M. Charlton
Director

(signed) S.W. Kiefer
Director

CERTIFICATE OF THE UNDERWRITERS

Dated: May 5, 2016

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 each of the provinces of Canada.

RBC DOMINION SECURITIES INC.

BMO NESBITT BURNS INC.

By: (signed) Robert M. Brown

By: (signed) Katryne Mann

TD SECURITIES INC.

SCOTIA CAPITAL INC.

CIBC WORLD MARKETS INC.

By: (signed) Andrew Becker

By: (signed) Murray Neal

By: (signed) Sean Gilbert