

ÉNERGIR INC.

CONSOLIDATED FINANCIAL STATEMENTS
FISCAL YEARS ENDED SEPTEMBER 30, 2022 AND 2021

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MANAGEMENT'S REPORT	51
INDEPENDENT AUDITORS' REPORT	52
CONSOLIDATED FINANCIAL STATEMENTS	
CONSOLIDATED STATEMENTS OF INCOME	55
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME	56
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY	57
CONSOLIDATED BALANCE SHEETS	58
CONSOLIDATED STATEMENTS OF CASH FLOWS	59
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS	60

MANAGEMENT'S REPORT

ON THE CONSOLIDATED FINANCIAL STATEMENTS OF ÉNERGIR INC.

The consolidated financial statements of Énergir Inc. and all of the information in this report are the responsibility of management. It is management's responsibility to select the appropriate accounting policies and to exercise its best judgment in determining reasonable and fair estimates based on U.S. generally accepted accounting principles and decisions by bodies that govern the various rate-regulated activities of Énergir Inc. Financial information found elsewhere in this report is consistent with that found in the consolidated financial statements. This information and the consolidated financial statements are published with the approval of the board of directors.

Management maintains accounting and internal control systems that are designed to provide reasonable assurance that accounting records are reliable and assets are safeguarded.

The board of directors of Énergir Inc. assumes its responsibilities for the consolidated financial statements primarily through the audit committee, made up solely of external directors. The audit committee has reviewed all of the information in this report as well as in the annual consolidated financial statements and has recommended they be approved by the board. The audit committee also examines, on a continuous basis, the quarterly financial results and the results of the work carried out by internal auditors and external independent auditors on accounting policies and internal control systems. The audit committee also recommends the choice of external auditor to the board. External and internal auditors are free to communicate with the audit committee.

The consolidated financial statements of Énergir Inc. as at September 30, 2022 and 2021 and for the years then ended were audited by KPMG LLP, Chartered Professional Accountants, in accordance with Canadian Auditing Standards. These audits included the tests and other procedures it deemed necessary under the circumstances. Its independent opinion on the consolidated financial statements is presented hereinafter.

(signed)

ÉRIC LACHANCE, CFA
President and Chief Executive Officer of Énergir Inc.

(signed)

MATHIEU LEPAGE, CFA
Chief Financial Officer of Énergir Inc.

Montreal, Canada
November 22, 2022



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INDEPENDENT AUDITORS' REPORT

To the Shareholder of Énergir inc.

Opinion

We have audited the non-consolidated financial statements of Énergir inc. (the "Entity"), which comprise:

- the consolidated balance sheets as at September 30, 2022 and September 30, 2021
- the consolidated statements of income and comprehensive income for the years then ended
- the consolidated statements of changes in equity for the years then ended
- the consolidated statements of cash flows for the years then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies (hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at September 30, 2022 and September 30, 2021, and its consolidated results of operations and its consolidated cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "**Auditors' Responsibilities for the Audit of the Financial Statements**" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. Other information comprises the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.



In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions as at the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditor's report.

We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.



The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

*KPMG LLP**

Montréal, Canada

November 22, 2022

*CPA auditor, public accountancy permit No. A120220

ÉNERGIR INC.
CONSOLIDATED STATEMENTS OF INCOME

Fiscal years ended September 30
(in thousands of dollars)

	2022	2021
REVENUES (Note 5)	3,045,204	2,434,240
DIRECT COSTS	1,910,989	1,361,785
GROSS MARGIN	1,134,215	1,072,455
EXPENSES		
Operating and maintenance	590,224	549,719
Amortization (Notes 6, 9 and 10)	297,039	291,945
Interest on long-term debt	194,583	196,683
Financial and other expenses, net	7,917	11,868
	1,089,763	1,050,215
INCOME BEFORE THE UNDERNOTED	44,452	22,240
Share in the earnings of equity-accounted interests (Note 11)	168,028	158,308
INCOME BEFORE INCOME TAXES	212,480	180,548
Income taxes (Note 21)	24,269	61,502
NET INCOME	188,211	119,046
NET INCOME ATTRIBUTABLE TO:		
The shareholder	109,582	56,827
Non-controlling interests	78,629	62,219
	188,211	119,046

The accompanying notes to the consolidated financial statements are an integral part of these statements.

ÉNERGIR INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Fiscal years ended September 30
(in thousands of dollars)

	2022	2021
NET INCOME	188,211	119,046
OTHER COMPREHENSIVE INCOME (LOSS)		
Change in translation adjustments of foreign operations	158,307	(87,744)
Change in translation adjustments related to net investment hedging activities, net of income taxes	(67,920)	44,268
Change in the fair value of derivative financial instruments designated as cash flow hedges, net of income taxes	959	4,654
Change in the funded status of employee future benefit plans (Note 20)	5,656	6,022
Other comprehensive income related to equity-accounted interests, net of income taxes	17,854	12,489
	114,856	(20,311)
COMPREHENSIVE INCOME	303,067	98,735
COMPREHENSIVE INCOME ATTRIBUTABLE TO:		
The shareholder	184,597	36,995
Non-controlling interests	118,470	61,740
	303,067	98,735

The accompanying notes to the consolidated financial statements are an integral part of these statements.

ÉNERGIR INC.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Fiscal years ended September 30, 2022 and 2021

(in thousands of dollars)

	Attributable to the shareholder						Total equity
	Share capital	Additional paid-in capital	Retained earnings	Accumulated other comprehensive income (loss) (Note 18)	Total	Non-controlling interests	
Balance as at September 30, 2021	182,094	215,741	132,676	71,884	602,395	656,330	1,258,725
Net income	—	—	109,582	—	109,582	78,629	188,211
Other comprehensive income	—	—	—	75,015	75,015	39,841	114,856
Capital contributions	—	—	—	—	—	184	184
Redemption of a non-controlling interest (Note 12)	—	(216)	—	—	(216)	(1,158)	(1,374)
Dividends	—	—	(99,000)	—	(99,000)	—	(99,000)
Distributions	—	—	—	—	—	(72,891)	(72,891)
Balance as at September 30, 2022	182,094	215,525	143,258	146,899	687,776	700,935	1,388,711
Balance as at September 30, 2020	421,543	—	114,796	91,716	628,055	648,966	1,277,021
Net income	—	—	56,827	—	56,827	62,219	119,046
Other comprehensive income (loss)	—	—	—	(19,832)	(19,832)	(479)	(20,311)
Transactions between entities under common control (Note 24)	—	7,741	6,553	—	14,294	(17,933)	(3,639)
Capital contributions	—	208,000	—	—	208,000	130,500	338,500
Capital repayments (Note 24)	(239,449)	—	—	—	(239,449)	—	(239,449)
Dividends	—	—	(45,500)	—	(45,500)	—	(45,500)
Distributions	—	—	—	—	—	(166,943)	(166,943)
Balance as at September 30, 2021	182,094	215,741	132,676	71,884	602,395	656,330	1,258,725

The accompanying notes to the consolidated financial statements are an integral part of these statements.

ÉNERGIR INC.
CONSOLIDATED BALANCE SHEETS

As at September 30
(in thousands of dollars)

	2022	2021
ASSETS		
Current assets		
Cash and cash equivalents	75,045	46,830
Restricted cash and cash equivalents	6,174	10,351
Trade and other receivables (Note 7)	282,872	225,267
Regulatory assets (Note 6)	212,327	152,282
Income taxes receivable	14,701	143
Inventories (Note 8)	190,298	124,908
Prepaid expenses	29,729	28,945
Derivative financial instruments (Note 25)	272,652	140,296
Total current assets	1,083,798	729,022
Noncurrent assets		
Restricted cash and cash equivalents	74,942	77,568
Property, plant and equipment (Note 9)	5,241,950	4,908,291
Intangible assets (Note 10)	615,867	684,226
Regulatory assets (Note 6)	452,969	985,979
Investments (Note 11)	1,436,973	1,235,926
Goodwill (Note 13)	510,598	476,658
Derivative financial instruments (Note 25)	302,550	94,680
Other noncurrent assets	207,722	124,268
Total noncurrent assets	8,843,571	8,587,596
TOTAL ASSETS	9,927,369	9,316,618
LIABILITIES		
Current liabilities		
Bank overdraft	—	12,540
Bank loans (Note 14)	42,102	41,099
Accounts payable and accrued liabilities	428,462	350,824
Regulatory liabilities (Note 6)	342,902	192,744
Obligations related to greenhouse gas emission allowances (Note 10)	—	337,384
Income taxes payable	827	3,067
Distributions payable	17,400	14,953
Dividends payable	26,000	22,500
Derivative financial instruments (Note 25)	3,108	—
Current portion of long-term debt (Note 15)	1,383	239,652
Total current liabilities	862,184	1,214,763
Noncurrent liabilities		
Long-term debt (Note 15)	5,343,005	4,497,208
Regulatory liabilities (Note 6)	1,069,857	776,117
Deferred income taxes (Note 21)	661,327	565,849
Derivative financial instruments (Note 25)	45,075	418,599
Other noncurrent liabilities (Note 16)	557,210	585,357
Total noncurrent liabilities	7,676,474	6,843,130
TOTAL LIABILITIES	8,538,658	8,057,893
EQUITY		
Share capital (Note 17)	182,094	182,094
Additional paid-in capital	215,525	215,741
Retained earnings	143,258	132,676
Accumulated other comprehensive income (Note 18)	146,899	71,884
Equity attributable to the shareholder	687,776	602,395
Non-controlling interests	700,935	656,330
TOTAL EQUITY	1,388,711	1,258,725
TOTAL LIABILITIES AND EQUITY	9,927,369	9,316,618

Commitments and guarantees (Note 27)

Contingencies (Note 28)

The accompanying notes to the consolidated financial statements are an integral part of these statements.

On behalf of the board of directors,

(signed)

ÉRIC LACHANCE, CFA
Director

(signed)

RENAUD FAUCHER
Director

ÉNERGIR INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

Fiscal years ended September 30

(in thousands of dollars)

	2022	2021
OPERATING ACTIVITIES		
Net income	188,211	119,046
Adjustments to reconcile net income and operating cash flows:		
Distributions received from equity-accounted interests	145,686	131,371
Amortization of property, plant and equipment (Note 9)	239,820	248,126
Amortization of regulatory assets and liabilities, intangible assets, financing costs and other (Notes 6, 10 and 15)	76,051	61,927
Use of greenhouse gas emission allowances	208,209	126,175
Share in the earnings of equity-accounted interests	(168,028)	(158,308)
Deferred income taxes (Note 21)	26,388	53,319
Change in regulatory assets and liabilities related to the cost of energy	(46,562)	(50,141)
Change in other regulatory assets and liabilities	(29,365)	(154,629)
Change in other operating assets and liabilities (Note 19)	(83,273)	(46,071)
Other	34,291	28,469
Cash flows related to operating activities	591,428	359,284
INVESTING ACTIVITIES		
Purchases of property, plant and equipment	(352,141)	(329,483)
Disposals of property, plant and equipment	4,453	2,735
Purchases of intangible assets (Note 10)	(343,917)	(244,655)
Purchases of investment fund units	(3,352)	(4,070)
Disposals of investment fund units	3,848	4,073
Purchases of equity-accounted interests and other investments (Note 11)	(61,964)	(19,558)
Sale of a subsidiary, net of disposed cash (Note 24)	—	288,625
Other	(44,535)	18,162
Cash flows related to investing activities	(797,608)	(284,171)
FINANCING ACTIVITIES		
Change in bank overdraft	(12,540)	2,322
Change in bank loans (Note 14)	(2,106)	(6,396)
Change in term credits	29,175	48,517
Issuances of other long-term debt, net of issuance costs (Note 15)	618,763	76,714
Repayments of other long-term debt (Note 15)	(242,116)	(212,743)
Capital contributions	184	338,500
Redemption of a non-controlling interest	(1,374)	—
Capital repayments (Note 24)	—	(239,449)
Dividends	(95,500)	(47,000)
Distributions	(70,444)	(166,938)
Cash flows related to financing activities	224,042	(206,473)
IMPACT OF EXCHANGE RATE FLUCTUATIONS	3,550	(6,199)
NET CHANGE	21,412	(137,559)
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH AND CASH EQUIVALENTS AT BEGINNING	134,749	272,308
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH AND CASH EQUIVALENTS AT END	156,161	134,749

Supplemental disclosure of cash flow information (Note 19)

The accompanying notes to the consolidated financial statements are an integral part of these statements.

1. NATURE OF OPERATIONS

Énergir Inc. mainly holds an investment of 71.0% in Énergir, L.P. for which it acts as the General Partner. Énergir, L.P. conducts various business activities that all fall within the energy sector. The distribution of energy is one of Énergir, L.P.'s largest activities and includes the distribution of natural gas in Quebec ("QDA") and the distribution of electricity and natural gas in Vermont, U.S.A. ("Vermont") through, respectively, its indirect and wholly owned subsidiaries Green Mountain Power Corporation ("GMP") and Vermont Gas Systems, Inc. ("VGS"). In addition, through its subsidiaries, jointly controlled companies ("joint ventures") and entities subject to significant influence, Énergir, L.P. is engaged in other, mostly regulated activities in the natural gas transportation and storage markets and in the renewable energy generation market. Énergir, L.P. is also involved in non-regulated energy development and operating projects such as the generation of wind power and the use of liquefied and compressed natural gas as a fuel or energy product. The regulatory context applicable to Énergir, L.P., including the regulatory context of some of its subsidiaries, joint ventures, and entities subject to significant influence, and the impact of that context on the consolidated financial statements, are described in Note 6.

2. ACCOUNTING POLICIES

PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

Énergir Inc.'s consolidated financial statements are prepared in accordance with U.S. generally accepted accounting principles ("GAAP").

Énergir Inc. has obtained an exemption from the Canadian Securities Administrators ("CSA") allowing it to apply U.S. GAAP. This exemption is valid until the first of the following dates: January 1, 2024 or a date that the International Accounting Standards Board ("IASB") prescribes as a mandatory date for applying a standard on regulatory assets and liabilities ("RAL").

In January 2021, the IASB published an exposure draft on a new standard covering RAL, i.e., a standard that would apply to all entities with rate-regulated activities. Énergir Inc. is monitoring developments surrounding this exposure draft and is reviewing the impacts thereof on its consolidated financial statements.

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements of Énergir Inc. include the accounts of Énergir Inc., Énergir, L.P., and its subsidiaries as well as variable interest entities ("VIE") for which Énergir Inc. is the primary beneficiary. When a contractual agreement is signed, Énergir Inc. performs an analysis to assess whether it involves a VIE. A primary beneficiary has the power to direct or control the activities that most significantly influence the performance of an entity and has the obligation to absorb the entity's losses or receive its benefits. Énergir Inc. uses the hypothetical liquidation at book value ("HLBV") method to account for its economic interests in the VIEs for which Énergir is the primary beneficiary. The VIEs, described in Note 12, are held in partnership with an investor. The HLBV method is being used because these VIEs are limited liability companies, and the agreement between the partners states that liquidation rights and distribution priorities do not correspond to the percentage ownership interests. For these business interests, using ownership percentage to allocate the investee's net income to the partners fails to reflect the economic benefits that each partner will receive outside the structure. The HLBV method is a balance sheet method that considers the amount that each partner would receive or pay if the VIEs liquidated all assets and settled all liabilities at book value and distributed the liquidation proceeds to the partners based on the priorities set out in the agreement. This method also takes into account the tax considerations created for each partner. All intercompany transactions and balances are eliminated.

Economic interests in joint ventures and entities subject to significant influence are accounted for using the equity method. Énergir Inc. designates its partners as joint ventures or entities subject to significant influence when it does not have unilateral power to exclude a partner or to revoke the partnership, regardless of the ownership interest. The equity method is an accounting method whereby the investment is initially recognized at cost, and the carrying amount is thereafter adjusted by recording the proportionate share in the earnings and the proportionate share in the transactions affecting the equity of the joint venture or entity subject to significant influence. With respect to distributions received from equity-accounted interests, a distribution-by-nature approach is used for the consolidated statement of cash flows presentation. According to this approach, distributions generated by operating activities are reported in operating activities, whereas return-of-capital distributions are reported in investing activities. When there is a credit balance for an interest in a joint venture or an entity subject to significant influence, the investment is reported in the Other noncurrent liabilities item. Énergir Inc.'s ownership interest in joint ventures and entities subject to significant influence is presented in Note 11.

The proportionate shares of ownership in jointly controlled assets are accounted for proportionally according to ownership interest. Proportionate shares in assets are included on the consolidated balance sheets and proportionate shares in expenses are included in the consolidated statement of income. Énergir Inc. is responsible for its proportionate share of the financing.

Management periodically examines its interests in joint ventures and in entities subject to significant influence on an individual basis, and whenever these interests experience an other-than-temporary loss in value, the carrying amount is written down to fair value and the loss is recorded in the income statement.

Investissement Québec's economic interest in Gaz Métro LNG

Énergir Inc. holds a 58% ownership interest in Gaz Métro LNG L.P. ("Gaz Métro LNG") and consolidates the entity. The remaining 42% is held by Investissement Québec. The participation agreement includes an option for Énergir, L.P. to purchase Investissement Québec units that can be exercised as of the 8th year following the project in-service date, i.e., April 2025, at an amount that provides Investissement Québec with a 10% internal rate of return on invested capital. Investissement Québec has an option to sell its units that can be exercised as of the 15th year after the project in-service date, i.e., April 2032, at an amount equal to 90% of the fair market value of the units, provided that Énergir, L.P. decides not to use its purchase option, which takes precedence at all times.

Investissement Québec's interest in Gaz Métro LNG was recorded as a non-controlling interest in Énergir Inc.'s financial statements, a method whereby the sell option has no impact on the amount recognized. If Investissement Québec's sell option had been available as at September 30, 2022, the purchase amount would have been \$50,523 (\$47,359 as at September 30, 2021).

USE OF ESTIMATES

In preparing the consolidated financial statements, management must make estimates and assumptions that have an impact on the consolidated balance sheet asset and liability amounts, on the contingent liabilities reported on the date of the consolidated financial statements, and on the amounts of the consolidated income statement items and consolidated comprehensive income statement items for the fiscal year. Actual results may differ from these estimates. Consolidated financial statement items requiring greater use of management estimates include the actuarial and economic assumptions used to account for employee pension plans and other postretirement benefits (employee future benefits); amortization; goodwill and noncurrent asset impairment measurements; estimates of unbilled deliveries for revenue recognition purposes; impacts of regulatory decisions and other proceedings on regulatory assets and liabilities, on property, plant and equipment and on intangible assets; the future cost of retiring property, plant and equipment; income taxes; the fair value of derivative financial instruments; and the determination of provisions such as legal contingencies.

REGULATION

Énergir, L.P. and some of its subsidiaries conduct business activities that are regulated by various regulatory agencies, including the Régie de l'énergie (the "Régie"), the Canada Energy Regulator ("CER"), the Vermont Public Utility Commission ("VPUC"), and the Federal Energy Regulatory Commission ("FERC").

In exercising their authority, these regulatory agencies issue decisions on, among other matters, network development, rate-setting, and the use of certain accounting policies that differ from those applied by non-regulated enterprises.

RAL arise as a result of the rate-setting process applicable to rate-regulated enterprises. Regulatory assets consist of incurred costs that rate-regulated entities expect to recover from customers in future years through the rate-setting process. Regulatory liabilities consist of amounts that rate-regulated entities expect to return to customers in future years through the rate-setting process. The amounts eligible for deferral depend on decisions made by the various regulatory agencies and on the accounting standards applicable to rate-regulated activities.

Under existing regulations, RAL are recovered or returned through the rate-setting process over various periods, depending on their nature. RAL are periodically checked and measured. Should, following interventions by regulatory agencies, Énergir, L.P. deem that certain amounts are no longer likely to be recoverable or refundable through future rates, the carrying amount of the underlying regulatory assets or liabilities would be adjusted accordingly.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash and of investments with an initial maturity of three months or less from the acquisition date.

RESTRICTED CASH AND CASH EQUIVALENTS

Restricted cash and cash equivalents consist mainly of Treasury bills or amounts held in trust reserved for specific uses under network extension financing arrangements or under development activity financing arrangements. Restricted cash and cash equivalents are reported in current assets or noncurrent assets, depending on the maturity of the related liabilities.

TRADE ACCOUNTS RECEIVABLE

Trade accounts receivable are recorded at the invoiced amount and adjusted as required to reflect any allowances for doubtful accounts.

INVENTORIES

Inventories consist mainly of natural gas and also include supplies and materials inventories. Inventories are measured at the lower of cost and net realizable value. Cost is determined using the weighted average cost method. Énergir, L.P. is not authorized to profit from the sale of natural gas. As such, the difference between the supply rates approved by regulatory agencies, as necessary, and the actual cost of supplying natural gas is recognized as an adjustment to direct costs with an offsetting RAL created in accordance with the regulatory mechanism. This mechanism helps to minimize the risks arising from fluctuations in natural gas prices.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist mainly of assets used in rate-regulated activities and are recorded at cost less accumulated amortization. Costs related to work in progress are capitalized to cost. Contributions received from third parties are applied against the cost of the related property, plant and equipment. Project costs consist of direct costs and general expenses. Énergir Inc. capitalizes the interest incurred during the construction of non-regulated-activity projects until the asset is ready for its intended use. As for rate-regulated-activity construction projects, capitalized interest is calculated based on weighted average cost of capital, which includes an interest component and an equity return component, as accepted by the various regulatory agencies. The interest component is recorded as a reduction to the Interest on long-term debt item, and the equity component is recognized as revenue in Financial and other expenses. The capitalized return on projects related to rate-regulated activities will be recovered through future rates during the amortization of property, plant and equipment.

Amortization is mainly calculated using the straight-line method over the estimated remaining lives of in-service assets. Work in progress is not amortized before the assets are put into service. The amortization rates applied to assets used in rate-regulated activities are periodically reviewed and approved by regulatory agencies and, in certain cases, reflect estimates of future retirement costs. These future asset retirement costs, which are not related to the retirement obligations for property, plant and equipment, are accounted for as an increase to regulatory liabilities, while the actual costs of retiring assets are accounted for as a decrease to regulatory liabilities. The impact of this practice is presented in Note 6.

Property, plant and equipment is amortized according to the following periods:

Distribution	8 to 70 years
Production	25 to 115 years
Transportation	20 to 70 years
Storage	15 to 45 years
Energy services	8 to 37 years
General plant	2 to 55 years

RETIREMENT OBLIGATIONS FOR PROPERTY, PLANT AND EQUIPMENT

The fair value of an obligation to retire property, plant and equipment is recorded, when a legal obligation exists, as a liability in the period in which it is incurred, provided that a reasonable estimate of fair value can be made. The obligation is initially measured at fair value using the present value of expected costs and is subsequently adjusted to reflect any change resulting from the passage of time and any change in the expected timing of payment or in the amount of the initial estimate.

For certain rate-regulated activities, it is impossible to determine the moment when the cost of meeting such obligations would have to be incurred. Consequently, it is impossible to make a reasonable estimate of the fair value of the related liability, and no liability has been recognized.

INTANGIBLE ASSETS

Intangible assets consist mainly of greenhouse gas ("GHG") emission allowances, the costs of on-site information technology ("IT") development, rights and licences for generation assets, and customer relationships.

GHG emission allowances are purchased under the Government of Quebec's cap-and-trade system for GHG emission allowances. GHG emission allowances are recorded at cost and are not amortized. An obligation related to GHG emission allowances and the related expense are recognized at the GHG emission rate in the Direct costs item. The obligation is recognized in the short-term in Obligations related to greenhouse gas emission allowances or in the long-term in Other noncurrent liabilities. The intangible assets and obligations related to GHG emission allowances are derecognized upon the remittance of allowances at the end of a compliance period. In the event GHG emissions were to exceed allowance holdings, a liability for the insufficient allowance amount would be recorded and measured using the GHG emission allowance price in effect on the date of the consolidated balance sheets.

Rights and licences are related to the operation of regulated generation assets and are recorded at acquisition cost, including internal and external labour costs as well as legal fees. Amortization is calculated on a straight-line basis over the licence durations, which vary from 5 to 50 years.

The Customer relationships and other item consists mainly of the customer relationships acquired in past business combinations. These assets are initially accounted for at the acquisition-date fair value. Amortization is calculated using the straight-line method over a period of 25 years.

The costs of on-site information technology development include the costs incurred to develop information systems, i.e., those related to direct labour, general expenses, and software purchased from external suppliers as well as the costs of licences and software acquired for internal use. The costs of developing information technology are recorded at cost less accumulated amortization. Amortization is calculated on a straight-line basis over estimated useful lives of 3 to 10 years. Maintenance and training expenses are recognized as incurred in the Operating and maintenance item.

IT DEVELOPMENT FOR CLOUD COMPUTING

IT development costs related to cloud computing service contracts are recognized in the Other noncurrent assets item and include the costs incurred to develop cloud computing systems. Such costs are recorded at cost and amortized on a straight-line basis over estimated useful lives of 5 to 10 years.

BUSINESS COMBINATIONS

Business combinations are accounted for using the acquisition method. Under this method, all identifiable assets acquired and liabilities assumed are measured and accounted for at their fair value, including any non-controlling interests. Non-controlling interests are presented as a separate item of equity. In addition, acquisition-related costs and restructuring costs are recorded as expenses.

GOODWILL

Goodwill is the excess of the purchase price over the net values assigned to assets acquired and liabilities assumed when a business is acquired. Goodwill, which is not amortized, is tested for impairment annually or more frequently if events or changes in circumstances indicate that goodwill might not be recoverable. Énergir Inc. has

the option to first assess qualitative factors to determine whether the fair value of a reporting unit is more likely than not to be less than its carrying amount in order to decide whether to test goodwill using an impairment test. The test consists of comparing the carrying amount and the fair value of the reporting units calculated based on the discounted future cash flow method or using external valuations. If the carrying amount of a reporting unit exceeds its fair value, a loss of value is recognized in the consolidated statement of income in an amount equal to the excess, up to the maximum of the goodwill subject to the test.

Goodwill is tested for impairment on April 1 of each year.

IMPAIRMENT OF NONCURRENT ASSETS

The noncurrent assets that are tested for impairment include property, plant and equipment, regulatory assets, and finite life intangible assets. These assets are tested for impairment if events or changes in circumstances indicate that their carrying amount might not be recoverable. When testing for impairment, assets are grouped according to the lowest level of asset group for which independent cash flows are generated. The recoverability test consists of comparing the total amount of net undiscounted future cash flows that are directly associated with the use and eventual disposition of the group of assets with its carrying amount. If the carrying amount of the group of assets exceeds the net undiscounted future cash flows, the amount of the impairment, namely, the difference between the group of assets' carrying amount and its fair value, is recognized in the consolidated statement of income. Fair value is determined using valuation techniques such as market prices, if available, or is based on the total discounted future cash flows expected to result from the use and eventual disposition of the group of assets.

In addition, if Énergir Inc. believes, following interventions from regulatory agencies, that certain costs of property, plant and equipment and of intangible assets related to rate-regulated activities are no longer likely to be recovered or returned through future rate adjustments, the carrying amounts of these assets would be adjusted accordingly.

FOREIGN CURRENCY TRANSLATION

Foreign currency monetary assets and liabilities are translated at the exchange rate prevailing on the balance sheet date, whereas other items are translated at the exchange rate in effect on the transaction date. Exchange gains and losses arising from translation are recognized in the consolidated statement of income of the current fiscal year.

The assets and liabilities of foreign operations whose functional currency is not the Canadian dollar are translated into Canadian dollars at the exchange rate prevailing on the balance sheet date. Revenues and expenses are translated at the exchange rate in effect on the transaction date. Unrealized exchange gains and losses resulting from translation are presented in Other comprehensive income.

REVENUE RECOGNITION

Énergir Inc.'s revenues consist essentially of revenues generated by rate-regulated activities and, to a lesser extent, by non-rate-regulated activities.

Revenues from rate-regulated activities come mainly from natural gas and electricity distribution activities in Canada and the United States. Most of Énergir, L.P.'s contracts involve only one performance obligation, that is, the delivery of energy. More specifically, revenues generated by energy distribution activities are recognized as the energy is delivered and in line with the amount that Énergir, L.P. is permitted to bill customers in accordance with underlying price agreements approved by the various regulatory agencies.

Amounts paid to customers in connection with commercial programs are recorded in the Other noncurrent assets item of the consolidated balance sheet and are then amortized to Revenues in the consolidated statement of income on a straight-line basis over a 10-year period, which is the average duration of energy-related commercial programs.

Contributions received from customers in connection with rate-regulated activities are recognized as a reduction to the cost of the property, plant and equipment to which they relate.

GOVERNMENT ASSISTANCE

Government assistance is recognized when it is more likely than not to be realized and is recorded using the cost reduction method. Under this method, government assistance is applied against the related expense or asset.

INCOME TAXES

Énergir Inc. is taxable on all its income, as determined by enacted tax laws, including the income from its investment in Énergir, L.P.

Énergir Inc. uses the asset and liability method to account for income taxes. Under this method, deferred income tax assets and liabilities are determined based on the differences between the carrying amounts and the tax bases of the assets and liabilities. They are measured by applying, on the consolidated financial statements date, the enacted tax rates and laws of the fiscal years in which the temporary differences are expected to reverse. The impact of a change in tax rate on deferred income tax assets and liabilities is included in the income of the period during which the change came into effect. A valuation allowance is recorded to reduce deferred income tax assets when management considers that it is more likely than not that a portion or all of the deferred income tax assets will not be realized. Énergir Inc. recognizes the impact of an uncertain tax position when it is more likely than not to be realized.

According to the regulatory treatments, Énergir, L.P. and some of its subsidiaries recover income-tax-related costs through their rates using a different method than that set out by the Financial Accounting Standards Board ("FASB") in ASC 740, *Income Taxes*. The cumulative differences between the regulatory treatments and the ASC 740 method are recognized as RAL.

EMPLOYEE FUTURE BENEFITS

Virtually all employees are offered defined benefit pension ("DBP") plans and defined contribution pension plans as well as other postretirement benefit ("PRB") plans, including supplemental health care and life insurance coverage.

DBP plans and PRB plans

The projected benefit obligation and the cost of the DBP plans and of the PRB plans are actuarially determined using the projected benefit method prorated on eligible years of service ("actuarial method"). These actuarial calculations are based on assumptions that reflect management's best estimates concerning (i) the discount rate, (ii) the expected return on plan assets, (iii) future changes in salary levels and the costs of supplemental health care and life insurance coverage, and (iv) the retirement age of employees. DBP plan and PRB plan assets are measured at fair value, which is determined using the market values on the measurement date. The fair value method is used to calculate the expected return on plan assets that is used to determine the projected benefit cost.

Net actuarial gains and losses exceeding 10% of the higher of the amount of the projected benefit obligation and the fair value of the plan assets at the beginning of the period are amortized over the expected remaining service life of the employee groups covered, which varies between 8 and 15 years, depending on the plan. This amortization is included in the net projected benefit cost.

The past service cost arising from changes made to the plans is deferred and amortized on a straight-line basis over the expected remaining service life of the employee group at the date of the changes. This amortization is included in the net projected benefit cost.

Unamortized balances related to the net actuarial gains and losses and to the past service costs of the DBP plans and of the PRB plans of the rate-regulated enterprises are recognized as regulatory assets or liabilities. Unamortized balances related to non-rate-regulated enterprises are recognized in Accumulated other comprehensive income. Unamortized balances for the two types of activities are then amortized in the consolidated statement of income using the previously presented methods.

When estimating the current service cost and interest cost of DBP and PRB plans, Énergir, L.P. uses different discount rates on the yield curve for current services and past services in order to reflect the timing differences in the payment of benefits and thereby more accurately determine cost.

FINANCIAL INSTRUMENTS

A financial instrument is a contract that gives rise to a financial asset for one of the parties to the contract and to a financial liability or equity instrument for the other party. Financial instruments are recognized on the consolidated balance sheet when Énergir Inc. becomes party to the contractual obligations of the instrument.

The investment funds are classified as available-for-sale financial assets. The investment funds are related to rate-regulated activities and are recognized at fair value on the consolidated balance sheet. Gains and losses arising from changes in fair value are recognized as RAL in the period in which they arise. Life insurance policies are recorded at their surrender value. Gains and losses arising from changes in the fair value of portfolio investments are recognized in income. Gains and losses realized on investment transactions are determined on a weighted average cost basis.

Financial assets and liabilities measured at fair value are categorized into a three-level hierarchy that is based on the observable nature of the data inputs used to measure the fair value. The three levels of the fair value hierarchy are as follows:

- Level 1 - Assets and liabilities measured at fair value using the unadjusted quoted prices of identical assets and liabilities in active and accessible markets at the measurement date.
- Level 2 - Measurements that use directly or indirectly observable data inputs other than the quoted prices included in Level 1.
- Level 3 - Measurements using data inputs that are not observable in the market (unobservable inputs).

The fair value hierarchy requires the use of observable market data inputs each time that such inputs exist. A financial instrument is classified according to the lowest hierarchical level from which significant data inputs were used in measuring its fair value.

HEDGING RELATIONSHIPS

Derivative financial instruments are used to reduce or eliminate the risks inherent to certain transactions and certain identifiable balances that arise in the normal course of operations. The risks inherent to those transactions and identifiable balances arise from fluctuations in natural gas and electricity prices, in interest rates, and in foreign exchange rates. Derivative financial instruments are therefore used to ensure that changes in the cash flows from these transactions and balances are offset by changes in the cash flows from the derivative financial instruments. No derivative financial instruments are held or issued for speculative purposes.

All derivative financial instruments are recognized on the consolidated balance sheet except for contracts that were entered into and continue to be held for the purpose of receipt or delivery of a nonfinancial item in accordance with Énergir Inc.'s expected purchase or sale requirements and that thereby meet the exception criteria for normal purchases and normal sales. As part of its rate-regulated activities, long-term power purchase supply contracts are entered into to mitigate the risk of supply cost volatility. These contracts generally meet the definition of a derivative. However, some supply contracts meet the normal purchases and normal sales exception criteria and therefore are not recognized at fair value on the consolidated balance sheet. As a result, the power purchase costs of contracts that meet the exception criteria are recognized in the consolidated statement of income during the period in which the power is consumed as opposed to recognizing, when the exception criteria are not met, changes in the fair value of other contracts on the consolidated balance sheet.

Énergir Inc. evaluates each of its contracts to determine whether they meet the normal purchases and normal sales exception criteria. Contracts that meet the criteria are regularly reviewed to ensure that the exception criteria continue to be met.

Gains and losses generated by derivative financial instruments other than those related to rate-regulated activities or designated as hedging instruments are recognized in income in the period in which they arise.

Rate-regulated activities

Derivative financial instruments related to the cost of energy are used to manage exposure to the volatility of natural gas and electricity prices. The prices paid are based on indices and are therefore variable. These tools make it possible to either secure fixed prices or to contain them in accordance with temporal, volumetric, and financial limits approved by the respective regulatory agencies. GMP uses electric power purchase agreements to

manage the risk of supply cost fluctuations and uses fixed-price swaps to manage the risk of capacity price fluctuations.

The derivative financial instruments related to rate-regulated activities are not designated as hedging instruments eligible for hedge accounting. Unrealized gains and losses arising from changes in the fair value of these financial instruments are recognized as adjustments to RAL, as approved by the regulatory agencies, as they will either be returned or recovered through future rates.

Hedging relationships eligible for hedge accounting

Hedge accounting is applied to eligible transactions, which include cash flow hedges and hedges of net investments in foreign operations.

All relationships between hedging instruments and hedged items are formally documented, as are the risk management objectives and strategies behind the hedging activities. In addition, hedge effectiveness is assessed quantitatively when it is implemented. Thereafter, qualitative assessments are carried out every quarter to identify whether or not events potentially affecting hedge effectiveness have occurred, thereby requiring a quantitative test to be carried out. Hedge accounting is discontinued prospectively when the hedging or hedged items are derecognized or if the hedge designation ceases.

In the case of a cash flow hedge, changes in the fair value of a derivative financial instrument designated as a hedging item are recognized in Other comprehensive income. Amounts previously recognized in Accumulated other comprehensive income are reclassified to income, when the hedged item is settled, in the line item to which the hedging relationship was attributed.

Forward exchange contracts are used to manage the exchange risk exposure arising from the U.S.-dollar-denominated revenues or purchases.

Interest rate swaps are used to fix the interest rates on certain floating rate borrowings.

Certain U.S.-dollar-denominated debts are designated as hedges of an equivalent portion of net investments in foreign operations whose functional currency is the U.S. dollar in order to mitigate the related exchange risk. The exchange gains and losses on the translation of debts designated as hedging items are included in Other comprehensive income. Cross-currency swaps are used to manage exposure to the exchange risk related to net investments in foreign operations. The exchange gains and losses on the translation of swaps designated as hedging items are included in Other comprehensive income. The unrealized exchange gains and losses on these hedging items recognized in Accumulated other comprehensive income are reclassified to income when there is a reduction to the hedged net investment upon the sale of the subsidiary or when it is practically liquidated.

TRANSACTION COSTS

Énergir Inc. primarily incurs transaction costs when issuing debt securities. These costs are deducted from the carrying amount of the related debt and are amortized using the effective interest rate method.

3. ACCOUNTING CHANGES

STANDARD ISSUED BUT NOT YET IN EFFECT

Government assistance

In November 2021, the FASB published ASU 2021-10, *Disclosures by Business Entities About Government Assistance*. The guidance therein provides an update to ASC 832, *Government Assistance*, notably by adding disclosure requirements about transactions between an entity and a government, including (i) the nature of the transaction and accounting policy used, (ii) financial statement line items and applicable amounts, and (iii) terms and conditions, including commitments and contingencies. This guidance will be applied retrospectively or prospectively to annual financial statements as of the fiscal year beginning October 1, 2022. Énergir Inc. is currently assessing the impact of adopting this guidance on its consolidated financial statements.

4. SALE OF ASSETS

As at June 30, 2022, Gaz Métro Plus Limited Partnership ("Gaz Métro Plus"), a subsidiary of Énergir, L.P., sold some of its assets and liabilities for a selling price of \$7,000 in order to dispose of a portion of its operations. An amount of \$3,500 was received on the transaction date, and the balance is payable over five years at an annual interest rate of 5.25%. A disposal loss of \$8,600, including transaction costs, was reported in Operating and maintenance expenses in the consolidated statement of income.

5. REVENUES

	Fiscal years ended September 30	
	2022	2021
Revenues from customers	3,094,076	2,436,947
Alternative revenue programs ⁽¹⁾	(32,249)	14,287
Amortization of commercial programs	(16,623)	(16,994)
	3,045,204	2,434,240

⁽¹⁾ The alternative revenue programs are composed of rate stabilization mechanisms related to temperature and wind as well as a revenue decoupling mechanism. For additional information, refer to Note 6.

As at September 30, 2022, an amount of \$85,325 (\$87,626 as at September 30, 2021) to reflect amounts paid under commercial programs was included in the Other noncurrent assets item.

6. RATE REGULATION

APPROVAL OF RATES

Énergir Inc. operates in various regulated industries where the costs of energy and of providing services are recovered through the rates billed to customers. The following information presents the main rate-regulated businesses and how regulation affects the accounting treatments thereof.

Regulated establishments in Canada

QDA

The activities of QDA are regulated by the *Act respecting the Régie de l'énergie*. The rates for fiscal years 2022 and 2021 were established using a cost-of-service method. Under the cost-of-service method, QDA sets annual rates that allow it to recover the costs it expects to incur to serve its customers and earn a fair and reasonable base return on the deemed Partners' equity allocated to this activity.

The weighted average cost of capital on the rate base must be fixed using a "deemed" capital structure, in which deemed Partners' equity is 46.0%, of which 38.5% is compensated as if it were common shares and 7.5% as if it were preferred shares.

The authorized base rate of return on deemed common equity is usually determined using an automatic adjustment formula approved by the Régie. For fiscal years 2021 to 2022, the Régie agreed to not apply the automatic adjustment formula and to set the rate at 8.90%.

With respect to supply service, meaning the supply of natural gas, the *Act respecting the Régie de l'énergie* states that distributors shall resell natural gas at the actual supply cost. The natural gas supply rate is adjusted monthly using the rate adjustment mechanism in place.

Regulated establishments in the United States

GMP and VGS

GMP and VGS are regulated by the VPUC. Rates for their activities are established using a cost-of-service method. The base rates for GMP and for VGS are approved annually by the VPUC. In accordance with the current rate adjustment mechanisms, the price of electricity is adjusted annually in the case of GMP, whereas the price of natural gas is adjusted quarterly for VGS.

ÉNERGIR INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(in thousands of dollars)

The following table summarizes the regulatory framework applicable to each of these subsidiaries for the fiscal years ended September 30, 2022 and 2021:

	2022		2021	
	Deemed shareholders' equity (in %)	Authorized rate of return on common equity (in %)	Deemed shareholders' equity (in %)	Authorized rate of return on common equity (in %)
GMP	50.4	8.57	49.9	8.20
VGS	50.0	8.80	50.0	8.65

REGULATORY ASSETS AND LIABILITIES

The following table presents the net carrying amounts of the RAL as at September 30, 2022 and 2021:

	Remaining recovery/ settlement period (years)	2022	2021
Regulatory assets ⁽¹⁾			
Rate stabilization and related accounts (a)	1 to 2	25,978	29,322
Charges related to the cost of energy (b)	1	142,382	70,218
Charges related to financial instruments (c)	1 to 31	41,510	418,599
Charges related to energy efficiency funds and programs (d)	1 to 10	121,040	91,476
Charges related to employee future benefits (e)	Indeterminable	81,159	326,937
Charges related to site decontamination and dismantling in the United States (f)	1 to 20	10,230	10,177
Charges related to mechanisms for sharing profits and losses (g)	1 to 3	61,261	71,941
Charges related to income taxes (h)	Indeterminable	69,244	56,685
Charges related to storms (i) (n)	1	—	10,203
Charges related to deferred taxes following the U.S. tax reform (j)	Indeterminable	5,931	5,438
Charges related to cloud computing IT development (k)	1	10,115	—
Charges related to adjustments to the cost of energy, storm costs, and the revenue decoupling mechanism, net (n)	Indeterminable	22,252	—
Other	Indeterminable	74,194	47,265
		665,296	1,138,261
Portions presented on the balance sheet:			
Current		212,327	152,282
Noncurrent		452,969	985,979
		665,296	1,138,261
Regulatory liabilities ⁽²⁾			
Rate stabilization and related accounts (a)	1 to 2	6,056	3,609
Credits related to the cost of energy (b)	1	49,715	23,980
Credits related to financial instruments (c)	1 to 17	575,201	234,976
Credits related to energy efficiency funds and programs (d)	1 to 10	1,242	1,946
Credits related to mechanisms for sharing profits and losses (g)	1 to 2	34,897	2,043
Credits related to income taxes (h)	1	21,410	4,675
Credits related to deferred taxes following the U.S. tax reform (j)	29 to 34	214,211	203,637
Credits related to the System Expansion and Reliability Fund (l)	Indeterminable	5,711	9,936
Future costs of retiring property, plant and equipment (m)	Indeterminable	494,010	470,752
Credits related to adjustments to the cost of energy, storm costs, and the revenue decoupling mechanism (n)	Indeterminable	1,118	4,815
Other	Indeterminable	9,188	8,492
		1,412,759	968,861
Portions presented on the balance sheet:			
Current		342,902	192,744
Noncurrent		1,069,857	776,117
		1,412,759	968,861

⁽¹⁾ The amortization of regulatory assets was \$27,545 (\$21,582 in 2021).

⁽²⁾ The amortization of regulatory liabilities was \$1,939 (\$2,671 in 2021).

(a) Énergir Inc. uses rate stabilization accounts to temper the unpredictable and uncontrollable impacts of temperature changes and wind velocity changes on the activities of QDA and VGS as well as the impact of natural gas inventory variances on QDA's activities. These RAL are amortized over a two-year period for QDA and over one year as of the subsequent fiscal year for VGS.

GMP uses rate stabilization accounts to level rates over the life of its multiyear regulation plan. These RAL are amortized over a two-year period as of the year following their initial recognition.

- (b) The RAL related to the cost of energy consist of offsets related to inventory remeasurements, billing differences, and other adjustments to the cost of distributed energy to eliminate the impacts arising from the sale of energy on income, as prescribed by the regulatory agencies.
- (c) The RAL related to financial instruments represent the net impacts of remeasurements of the derivative financial instruments of companies in the Energy Distribution segment. These RAL are recovered or returned through future rates when the derivative financial instruments are settled. Note 25 provides additional information about the composition of these financial instruments.
- (d) The RAL related to energy efficiency funds and programs consist of grants awarded to customers participating in these programs, of budget variances, and of certain disbursements needed to satisfy compliance requirements, as prescribed by the regulatory agencies.
- (e) The RAL related to employee future benefits come from certain DBP plans and PRB plans. The assets include the following items:
- Unamortized balances of net actuarial losses that are amortized using the corridor method;
 - Unamortized balances of past service costs upon first-time adoption of U.S. GAAP;
 - Differences between the regulatory treatments and accounting policies created upon first-time adoption of U.S. GAAP by QDA;
 - Differences between regulatory treatments and accounting policies created during a business acquisition; and
 - Budget variances, i.e., the difference between the net projected benefit cost estimated upon QDA's rate case preparation and the actual cost.

Note 20 provides additional information about the composition of these RAL.

- (f) As at September 30, 2022, the RAL related to site decontamination and dismantling in the United States consisted of \$5,965 in costs already incurred (\$6,236 in 2021) and \$4,265 in estimated future disbursements (\$3,941 in 2021) to decontaminate the land on which a manufactured gas plant that ceased operations in 1966 was located. They are amortized by GMP and VGS over a period of 10 to 20 years without a return on invested capital. The offsetting entry to estimated future disbursements is reported in Other noncurrent liabilities on the consolidated balance sheets.
- (g) The RAL related to the mechanisms for sharing profits and losses consist of overearnings or shortfalls attributable to QDA's customers that are returned or recovered, primarily in the form of rate adjustments, in the fiscal year following their approval. These RAL are recorded in the fiscal years in which they arise.
- QDA also applies a revenue decoupling mechanism that will return to customers all variances between authorized required revenue and normalized actual revenue in order to offset the impacts of changes in economic conditions on operations.
- (h) The RAL related to income taxes consist mainly of amounts to be returned or recovered through the future rates of QDA, GMP and VGS, due to the difference between the income tax expense included in the rates and that established in accordance with ASC 740, *Income Taxes*, by FASB.
- (i) The RAL related to storms consist of expenses caused by external factors that affect GMP's network and that exceed the annual amount of US\$1,200 (US\$1,200 in 2021) authorized by the VPUC. Refer to (n).
- (j) In 2017, the U.S. government adopted tax legislation commonly referred to as the *Tax Cuts and Jobs Act* ("U.S. tax reform"). Following this tax reform, RAL were recorded to reflect the amounts that will be returned to customers or recovered from them through future rates over different amortization periods.
- (k) These RAL consist of IT development costs for cloud computing services, as prescribed by the regulatory agencies.
- (l) The RAL related to the System Expansion and Reliability Fund consist of amounts withheld by VGS that would have otherwise served to reduce rates and that are used to support network expansion to other regions with little or no impact on rates. As agreed with the VPUC, VGS stopped collecting the amounts during fiscal 2019. These funds were deposited in a restricted cash equivalents account. As an offsetting entry to this regulatory liability, restricted cash equivalents were recognized on the consolidated balance sheets as at September 30, 2022 and 2021, totalling \$6,130 and \$10,311, respectively.

ÉNERGIR INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(in thousands of dollars)

(m) Under regulatory treatments, Énergir Inc. recognizes the estimated future costs of retiring property, plant and equipment used in energy distribution operations. These costs are recovered through rates mainly by adding amortization rates to regulatory liabilities, whereas actual retirement costs are applied against regulatory liabilities.

(n) As of fiscal 2021, the VPUC authorized GMP to offset RAL related to the cost of energy, storm costs, and the revenue decoupling mechanism. The amortization of these RAL can begin, with prior VPUC approval, once the net variances vary in a same direction for two consecutive quarters.

7. TRADE AND OTHER RECEIVABLES

	2022	2021
Trade accounts receivable (Note 26)	275,173	216,173
Amount receivable from non-controlling partners	—	2,746
Other receivables	7,699	6,348
	282,872	225,267

8. INVENTORIES

	2022	2021
Natural gas	148,100	86,964
Supplies and materials	42,198	37,944
	190,298	124,908

9. PROPERTY, PLANT AND EQUIPMENT

	2022			
	Cost	Accumulated amortization	Construction in progress	Total
Distribution	5,083,328	1,839,386	132,344	3,376,286
Production	863,272	275,292	51,026	639,006
Transportation	696,064	50,781	15,888	661,171
Storage	76,657	18,814	10,097	67,940
Energy services	225,827	84,751	5,706	146,782
General plant	558,150	226,617	19,232	350,765
	7,503,298	2,495,641	234,293	5,241,950
	2021			
	Cost	Accumulated amortization	Construction in progress	Total
Distribution	4,765,852	1,690,716	99,628	3,174,764
Production	807,819	245,931	14,340	576,228
Transportation	627,658	39,541	19,413	607,530
Storage	57,173	17,669	15,360	54,864
Energy services	256,000	107,368	6,463	155,095
General plant	532,846	209,667	16,631	339,810
	7,047,348	2,310,892	171,835	4,908,291

Distribution: These assets are used in low-voltage electric power distribution (generally less than 34.5 kilovolts) and in low-pressure natural gas distribution (generally less than 5,000 kilopascals).

Production: These assets include hydroelectric power plants, dams, wind turbines, solar facilities, and the related equipment used in electric power generation.

Transportation: These assets are used in high-pressure natural gas transportation (generally 5,000 kilopascals or more) and in high-voltage electric power transmission (generally 34.5 kilovolts and higher).

Storage: These assets include the land, buildings, reservoirs and equipment used in natural gas storage.

Energy services: These assets include the liquefied natural gas ("LNG") production infrastructure related to non-rate-regulated activities and the assets used to generate and transmit power from a thermal power station.

General plant: These assets consist of the land, buildings, equipment, vehicles, and property related to information technologies and administrative offices.

The costs of property, plant and equipment not subject to amortization, excluding construction in progress, as at September 30, 2022 and 2021, stood at \$63,603 and \$53,276, respectively, and consisted primarily of the cost of land and the related rights as well as electric poles and wires waiting to be put into service.

Construction in progress consists mainly of investments to expand QDA's and GMP's distribution network as well as investments in GMP's electric power generation assets.

Énergir Inc. owns appliances that it leases under operating leases. The cost and accumulated amortization of these leased appliances stood at \$61,449 and \$41,184, respectively, as at September 30, 2022 compared to \$98,808 and \$68,372, respectively, as at September 30, 2021. Revenues from these operating leases totalled \$10,080 and \$11,582 for fiscal years 2022 and 2021, respectively.

The amortization expense was \$239,820 in 2022 compared to \$248,126 in 2021.

During fiscal 2022, an amount of \$1,436 (\$1,775 in 2021) in interest was capitalized to the construction-in-progress projects of certain rate-regulated activities.

JOINTLY CONTROLLED ASSETS

The following table presents summary financial information about the ownership interest levels in each of the jointly controlled assets as at September 30, 2022 and 2021, which are included mainly in distribution and production assets:

	2022			
	Economic interest (in %)	Proportionate share of capacity (in MWh)	Proportionate share of assets	Proportionate share of accumulated amortization
Joseph C. McNeil	31.0	16.7	44,152	43,364
Wyman #4	2.9	17.6	8,819	8,819
Stony Brook #1	8.8	31.0	17,162	16,685
Metallic Neutral Return	59.4	—	2,161	2,161
Millstone Unit #3	1.7	21.4	119,596	74,462
				2021
	Economic interest (in %)	Proportionate share of capacity (in MWh)	Proportionate share of assets	Proportionate share of accumulated amortization
Joseph C. McNeil	31.0	16.7	40,298	38,419
Wyman #4	2.9	17.6	8,086	8,086
Stony Brook #1	8.8	31.0	15,680	15,084
Metallic Neutral Return	59.4	—	1,982	1,982
Millstone Unit #3	1.7	21.4	108,807	66,929

10. INTANGIBLE ASSETS

	2022		
	Cost	Accumulated amortization	Net carrying amount
GHG emission allowances	552,872	—	552,872
Development of information technology	186,485	146,381	40,104
Rights and licences	23,846	10,615	13,231
Customer relationships and other	12,544	2,884	9,660
	775,747	159,880	615,867
	2021		
	Cost	Accumulated amortization	Net carrying amount
GHG emission allowances	553,849	—	553,849
Development of information technology	256,066	148,373	107,693
Rights and licences	21,609	9,087	12,522
Customer relationships and other	12,544	2,382	10,162
	844,068	159,842	684,226

At the end of the 2018-2020 compliance period, Énergir Inc. remitted its GHG emission allowances to satisfy its regulatory compliance obligations. As such, intangible assets and obligations related to GHG emission allowances totalling \$337,384 were derecognized from the consolidated balance sheet during the quarter ended December 31, 2021. This transaction did not have an impact on the consolidated statement of cash flows or on the consolidated statement of income.

Capitalized intangible assets totalled \$343,917 in 2022 and \$244,655 in 2021. Of this 2022 amount, \$339,965 relates to assets acquired and \$3,952 relates to internally generated assets (\$216,961 and \$27,694, respectively, in 2021). In 2022, an amount of \$53,679 in intangible assets related to cloud computing service contracts was reported in Other noncurrent assets.

The amortization expense on intangible assets was \$16,889 in 2022 and \$25,075 in 2021.

The annual amortization for each of the next five fiscal years is expected to be as follows:

2023	13,802
2024	10,204
2025	8,478
2026	6,765
2027	5,768

11. INVESTMENTS

	Economic interest (in %)	2022	2021
Énergir, L.P.			
Equity-accounted interests			
Interests in joint ventures			
Trans Québec & Maritimes Pipeline Inc. ("TQM") (a)	50.0	172,834	127,422
Intragaz Group ("Intragaz")	40.0 to 60.0	84,424	79,785
SDB Wind Farms ⁽¹⁾	50.0	36,886	12,935
Other		64	2,701
		294,208	222,843
Interests in entities subject to significant influence			
Portland Natural Gas Transmission System ("PNGTS")	38.3	129,943	122,965
Vermont Transco LLC ("Transco") (76.8% in 2021) (b)	77.1	934,597	811,562
Vermont Electric Power Company, Inc.	38.8	13,345	12,235
Other		3,769	3,364
		1,081,654	950,126
Total equity-accounted interests		1,375,862	1,172,969
Other investments			
Surrender value of life insurance policies ⁽²⁾		27,401	29,384
		33,710	33,573
		1,436,973	1,235,926

⁽¹⁾ Refers to the wind farms of Seigneurie de Beaupré Wind Farms 2 and 3 General Partnership and to the wind farm of Seigneurie de Beaupré Wind Farm 4 General Partnership.

⁽²⁾ These are life insurance policies on the lives of active and retired officers.

INTERESTS IN JOINT VENTURES AND ENTITIES SUBJECT TO SIGNIFICANT INFLUENCE

(a) During fiscal 2022, Énergir, L.P. made, through its subsidiary Gaz Métro Holding inc., capital contributions of \$20,850 (\$18,200 in 2021) to TQM. The purpose of the funds is to finance investment projects related to natural gas transportation activities.

(b) GMP holds variable interests in Transco (refer to Note 12). During fiscal 2022, GMP invested a capital amount of \$40,836 (US\$32,635) in Transco. During fiscal 2021, GMP had sold Transco units for an amount of \$2,421 (US\$1,903).

The following table presents the summary financial information at 100% for the joint ventures and entities subject to significant influence that Énergir Inc. accounts for using the equity method:

	Fiscal years ended September 30	
	2022	2021
Statement of income		
Revenues	704,229	654,048
Net income	270,351	264,367
<hr/>		
Balance sheet		
Current assets	256,382	221,931
Noncurrent assets	4,312,230	3,903,349
Current liabilities	400,864	488,824
Noncurrent liabilities	2,147,427	1,895,780

12. VARIABLE INTEREST ENTITIES

CONSOLIDATED VIEs

Under partnership agreements with the below-listed entities, Énergir, L.P. has the power to direct and control all of the activities of these entities, including activities that most significantly influence their economic performance, and it also has the obligation to absorb losses and the right to receive benefits. Consequently, these entities are considered VIEs for which Énergir, L.P. is the primary beneficiary.

GMP

GMP VT Solar LLC ("GMP Solar")

GMP Solar builds, operates, and maintains five solar farms in the State of Vermont. On December 31, 2021, GMP exercised a purchase option of the entity for an amount of \$1,374 (US\$1,098). The amount by which the fair value of the ownership interest exceeded the carrying value was recorded as an equity transaction.

GMP VT Microgrid LLC ("GMP Microgrid")

GMP Microgrid builds, operates, and maintains three solar power generation and storage projects in the State of Vermont. In 2019, a contribution-of-capital agreement was signed with an investor whereby the investor was to finance a US\$14,295 portion of the projects. The US\$35,025 balance was financed by GMP.

The following table presents the financial information attributable to the consolidated VIEs of Énergir Inc. ⁽¹⁾:

	2022	2021
Net income	999	1,775
Allocation of net income between the partners ⁽²⁾ :		
Énergir Inc.	461	794
Investors	538	981
Assets ⁽³⁾	133,781	132,851
Liabilities ⁽⁴⁾	13,007	13,291

⁽¹⁾ Includes GMP Solar's financial information for the period of October 1 to December 31, 2021.

⁽²⁾ The disproportionate allocation of net income between the partners is a result of applying the HLBV method, which reflects the fact that the other partner receives additional tax attributes outside the structure of the VIE.

⁽³⁾ The assets consist mainly of property, plant and equipment.

⁽⁴⁾ The liabilities consist mainly of accounts payable and accrued liabilities as well as debt.

NON-CONSOLIDATED VIEs

Transco

GMP holds variable interests in Transco, a VIE whose main activity is electric power transmission in the State of Vermont. It has been determined that GMP is not the primary beneficiary given that it does not have the power to direct and control the activities of Transco that have the greatest impact on the entity's economic return and performance. Consequently, GMP recognizes its investment in Transco using the equity method as an investment in an entity subject to significant influence.

GMP provides Transco with capital and receives ownership interests that give it residual rights over assets once liabilities have been paid. The carrying amount of the VIE and the maximum risk of loss related to the economic interest in this VIE was US\$675,824 as at September 30, 2022 (US\$640,034 as at September 30, 2021).

13. GOODWILL

	2022	2021
Balance at beginning	476,658	512,951
Disposal and other (Note 24)	(900)	(16,844)
Translation adjustment	34,840	(19,449)
Balance at end	510,598	476,658

No provision for goodwill impairment was required for fiscal years 2022 and 2021.

14. BANK LOANS

	Maximum authorized amounts	Weighted interest rate (in %)	Maturity	2022	2021
Énergir, L.P. (a)	50,000	—	On demand	—	—
United States (0.66% in 2021) (b)	76,060	3.54	2023	42,102	41,099
Other (a)	6,000	—	2023	—	—
	132,060			42,102	41,099

(a) The short-term credit facilities bear interest at floating rates based on bankers' acceptance rates or prime rates, adjusted according to the terms of the credit facilities.

(b) VGS's credit agreement permits a maximum borrowing of \$76,060 (US\$55,000) and expires in June 2023. This facility bears interest at a floating rate based on LIBOR plus 0.58%. As at September 30, 2022, an amount of \$42,102 (US\$30,444) had been used.

15. LONG-TERM DEBT

	Weighted interest rate (in %)	Maturity	2022	2021
Énergir Inc.				
Subordinated debentures of the shareholder (5.55% in 2021) (a)	7.29	2052	892,798	892,798
Énergir, L.P.				
First mortgage bonds (4.60% in 2021) (b) (c)	4.60	2025 to 2047	1,275,000	1,275,000
Secured senior notes (US\$430,000 in 2022 and US\$560,000 in 2021) (4.12% in 2021) (b) (d)	4.19	2025 to 2048	594,647	710,080
Secured term credit (0.21% in 2021) (e) (j)	—	—	—	427,443
			1,869,647	2,412,523
Énergir, L.P. on capital markets (b)				
First mortgage bonds (f)	3.66	2032	525,000	—
Secured term credit (e) (j)	3.27	2027	449,401	—
			974,401	—
U.S. subsidiaries				
First mortgage bonds (US\$808,500 in 2022 and US\$791,500 in 2021) (4.56% in 2021) (g)	4.54	2024 to 2053	1,118,075	1,003,622
Unsecured senior notes (US\$216,000 in 2022 and US\$217,000 in 2021) (4.77% in 2021) (h)	4.41	2023 to 2046	298,706	275,156
Unsecured term credit (US\$141,541 in 2022 and US\$123,243 in 2021) (0.74% in 2021) (g) (j)	3.68	2024	195,738	156,272
			1,612,519	1,435,050
Other				
Secured term credits (2.26% in 2021) (i) (j)	5.57	2025	13,515	12,454
			5,362,880	4,752,825
Financing costs, net of amortization			(18,492)	(15,965)
			5,344,388	4,736,860
Current portion			1,383	239,652
			5,343,005	4,497,208

CAPITAL REPAYMENTS

The table below presents the long-term debt capital repayments required over the next five fiscal years and thereafter to meet maturities and sinking fund requirements:

2023	1,383
2024	223,421
2025	251,087
2026	35,955
2027	819,929
Thereafter	4,031,105

(a) The Énergir Inc. subordinated debentures payable to Noverco Inc. ("Noverco"), i.e., Énergir Inc.'s shareholder, are not secured, and payments of interest and principal are fully subordinated to prior ranking debt issued by Énergir Inc. The subordinated debentures mature in 2052 and are redeemable at par value at Énergir Inc.'s option.

Noverco has agreed to maintain Énergir Inc.'s shareholder's equity at a minimum of \$10,000 as long as the shareholder's subordinated debentures remain outstanding. The amounts required at all times to respect this commitment may never exceed the balance of the shareholder's subordinated debentures plus accrued interest

payable. This commitment to invest such amounts is conditional on the redemption of the subordinated debentures by Énergir Inc. for an amount equal to the amount of such an investment.

On October 1 of each fiscal year, the interest rate of the subordinated debentures is revised to the average annual rate of Government of Canada bonds maturing in more than ten years for the months of July, August, and September of each fiscal year plus 4.50% for Series A, B, C and D, and plus 5.00% for Series E. The interest is payable on a quarterly basis.

- (b) Historically, given certain legislative restrictions, the financing strategy consisted of having Énergir Inc. borrow on capital markets and then lending the borrowed amounts to Énergir, L.P. under identical conditions. Given that such restrictions no longer exist, the financing strategy has been reassessed, and Énergir, L.P. amended its deed of trust in December 2021 such that it can borrow directly on capital markets.

For the first mortgage bonds and secured senior notes issued before December 2021, Énergir Inc. acted as a borrower on the market and lent the borrowing proceeds to Énergir, L.P. under identical terms and conditions. For the first mortgage bonds issued after December 2021, Énergir, L.P. borrowed directly on the capital markets.

The first mortgage bonds issued before December 2021 are guaranteed by Énergir, L.P. under trust deeds, and the secured senior notes are guaranteed by Énergir, L.P. under governing agreements. The first mortgage bonds and secured senior notes also contain a hypothec on the universality of present and future movable and immovable property of Énergir Inc. and Énergir, L.P. located in the Province of Quebec. The creditors are thus covered by a first-ranking immovable hypothec on Énergir, L.P.'s present and future natural gas network and pipelines.

The first mortgage bonds are redeemable at the issuer's option in accordance with the terms and conditions of the trust deeds. Pursuant to agreements between Énergir Inc. and Énergir, L.P. regarding the various series of Énergir Inc. bonds, Énergir, L.P. has agreed to make the repayments directly to the holders.

The long-term debt trust deeds and other agreements stipulate that Énergir, L.P. will not issue any new long-term debt if, given such an issuance, Énergir, L.P.'s long-term debt to total capitalization ratio exceeds 65% and its long-term debt interest coverage ratio is less than 1.5 on a non-consolidated financial statements basis. The long-term debt trust deeds and other agreements also stipulate that Énergir, L.P. will not make a distribution to its Partners if, given such a distribution, Énergir, L.P.'s long-term debt to total capitalization ratio exceeds 75% on a non-consolidated financial statements basis.

On the basis of Énergir, L.P.'s non-consolidated financial statements, the long-term debt to total capitalization ratios, calculated according to the terms of the trust deeds and other agreements governing Énergir, L.P.'s long-term debt, stood at 56.5% as at September 30, 2022 and at 51.9% as at September 30, 2021.

On the basis of Énergir, L.P.'s non-consolidated financial statements, the long-term debt interest coverage ratios were 3.85 times and 3.03 times for the fiscal years ended September 30, 2022 and 2021, respectively. The long-term debt trust deeds and other agreements stipulate that all of Énergir, L.P.'s interests in non-regulated energy-related activities and in non-energy-related activities must not represent more than 10% of its total non-consolidated assets. As at September 30, 2022 and 2021, Énergir, L.P.'s assets used for such activities accounted for 2.42% and 2.28%, respectively, of its total non-consolidated assets. Furthermore, with respect to non-energy-related activities, Énergir, L.P.'s interests in such activities must not exceed 5% of its total non-consolidated assets. As at September 30, 2022 and 2021, Énergir, L.P. had no interests in such activities.

- (c) In July 2021, Énergir Inc. repaid a series of first mortgage bonds in an amount of \$150,000.
- (d) In May 2022, Énergir Inc. repaid a series of secured senior notes in an amount of \$167,024 (US\$130,000).
- (e) In July 2022, Énergir Inc. and Énergir, L.P. entered into a new credit agreement with their bank consortium. The agreement provides for a renewable credit facility of \$800,000 that expires in July 2027. This credit facility replaces the March 2012 facility entered into by Énergir Inc. as borrower and by Énergir, L.P. as surety. As part of the change in financing strategy, Énergir, L.P. became, as of September 29, 2022, the sole borrower under the terms of the credit agreement. This agreement is secured by a universal hypothec on the assets of Énergir, L.P. The terms of the credit agreement are similar to those in the previous agreement.

In addition, in July 2022, Énergir, L.P. issued an information circular accessible to investors so that it could borrow in the form of commercial paper.

A portion of the term credit was denominated in U.S. dollars, i.e., \$69,283 (US\$50,100) as at September 30, 2022 and \$63,527 (US\$50,100) as at September 30, 2021.

- (f) In February 2022, Énergir, L.P. issued, by way of private placement, first mortgage bonds in an amount of \$325,000. These bonds bear interest at an annual rate of 3.04%, mature in February 2032, and are secured by a universal hypothec on Énergir, L.P.'s assets.

In September 2022, Énergir, L.P. issued, by way of private placement, first mortgage bonds in an amount of \$200,000. These bonds bear interest at an annual rate of 4.67%, mature in September 2032, and are secured by a universal hypothec on Énergir, L.P.'s assets. Énergir, L.P. then entered into cross-currency swaps in U.S. dollars and maturing in September 2032 for an equivalent amount and designated them as net investment hedging instruments (refer to Note 25).

- (g) All of GMP's assets are subject to the lien in the deed of trust under which the first mortgage bonds were issued. GMP's first mortgage bonds deed of trust requires that a long-term debt to total capitalization ratio of no more than 65% be maintained. The first mortgage bonds have restrictions applicable to the payment of dividends by GMP. Under the most restrictive conditions, approximately \$441,499 (US\$319,256) in retained earnings was unrestricted as at September 30, 2022 compared to \$369,742 (US\$292,427) as at September 30, 2021. Some of these first mortgage bonds require annual payments into a sinking fund.

First mortgage bonds are secured by substantially all of GMP's assets. The first mortgage bonds are redeemable at GMP's option at par value or a value reflecting market conditions, whichever is higher, plus accrued and unpaid interest on the date fixed for redemption.

In December 2020, GMP issued first mortgage bonds for an aggregate principal amount of \$76,350 (US\$60,000), i.e., one series of \$44,540 (US\$35,000) and one series of \$31,810 (US\$25,000). These series of bonds mature in December 2031 and December 2049 and bear interest at annual rates of 1.99% and 3.05%, respectively.

In December 2020, GMP repaid a series of first mortgage bonds in an amount of \$38,175 (US\$30,000). In June 2021, GMP also repaid a series of first mortgage bonds in an amount of \$20,910 (US\$16,645).

In September 2022, GMP issued first mortgage bonds in an amount of \$34,573 (US\$25,000). These bonds mature in October 2052 and bear interest at a rate of 5.00%.

In August 2021, GMP entered into a new credit facility of \$220,500 (US\$175,000) that expires in August 2024 and has an accordion feature of \$31,500 (US\$25,000).

In March 2022, GMP activated the accordion feature on the credit facility entered into in August 2021, thereby increasing its available credit from \$218,840 (US\$175,000) to \$243,850 (US\$195,000) until September 2022. In March 2022, through this credit facility, GMP repaid a series of first mortgage bonds in an amount of \$10,110 (US\$8,000).

- (h) In June 2022, Northern New England Energy Corporation ("NNEEC") repaid unsecured senior notes that had matured in an amount of \$63,685 (US\$50,000), and it issued new unsecured senior notes for the same amount at an annual rate of 4.64% and maturing in June 2032.
- (i) The maximum authorized amount of the term credit facilities secured by the first-ranking hypothecs of the other Énergir Inc. subsidiaries is \$40,770.
- (j) The term credits bear interest at rates based on the bankers' acceptance rate, prime rate, or SOFR, adjusted according to the terms and conditions of the credit agreements. These borrowings are reported as noncurrent when Énergir Inc. has the intention and ability to refinance them for a period greater than one year.

As at September 30, 2022 and 2021, Énergir Inc. and its subsidiaries were in compliance with all of the requirements set out in the various trust deeds and term credit agreements governing long-term debt.

For fiscal years 2022 and 2021, financial and other expenses included the amortization of financing costs in amounts of \$1,779 and of \$1,760, respectively.

16. OTHER NONCURRENT LIABILITIES

	2022	2021
Liabilities related to DBP plans (Note 20)	23,827	192,106
Liabilities related to PRB plans (Note 20)	114,093	178,542
Deferred compensation liabilities of GMP and VGS	8,749	10,152
Customer deposits	23,549	23,872
Operating lease obligations ⁽¹⁾	14,126	14,586
Obligations related to GHG emission allowances (Note 10)	301,139	92,930
Other	71,727	73,169
	557,210	585,357

⁽¹⁾ Right-of-use assets related to operating leases were recognized in the Other noncurrent assets item.

17. SHARE CAPITAL

AUTHORIZED

Énergir Inc.'s authorized share capital includes an unlimited number of common shares and preferred shares without par value. The preferred shares can be issued in one or more series, and the rights, privileges, conditions and restrictions will be set by the board of directors.

ISSUED AND OUTSTANDING

	2022	2021
Number of common shares as at September 30 (in thousands of common shares)	2,977	2,977

18. ACCUMULATED OTHER COMPREHENSIVE INCOME

The changes in accumulated other comprehensive income by component are detailed as follows:

	Translation adjustments	Net investment hedges	Cash flow hedges	Employee future benefits	Equity- accounted interests	Total
Balance as at September 30, 2021	146,898	(57,313)	(9,707)	(3,872)	(4,122)	71,884
Other comprehensive income (loss) before reclassifications to income	112,376	(50,750)	—	4,940	7,935	74,501
Income taxes (recovered)	—	3,736	—	(1,313)	(2,143)	280
Other comprehensive income (loss) reclassified to income	—	—	859	10	(610)	259
Income taxes (recovered)	—	—	(185)	(2)	162	(25)
	<u>112,376</u>	<u>(47,014)</u>	<u>674</u>	<u>3,635</u>	<u>5,344</u>	<u>75,015</u>
Balance as at September 30, 2022	<u>259,274</u>	<u>(104,327)</u>	<u>(9,033)</u>	<u>(237)</u>	<u>1,222</u>	<u>146,899</u>

	Translation adjustments	Net investment hedges	Cash flow hedges	Employee future benefits	Equity- accounted interests	Total
Balance as at September 30, 2020	209,193	(88,485)	(12,623)	(7,742)	(8,627)	91,716
Other comprehensive income (loss) before reclassifications to income	(62,295)	32,397	3,761	4,908	8,792	(12,437)
Income taxes (recovered)	—	(1,225)	(1,401)	(1,301)	(1,924)	(5,851)
Other comprehensive income (loss) reclassified to income	—	—	757	358	(3,215)	(2,100)
Income taxes (recovered)	—	—	(201)	(95)	852	556
	<u>(62,295)</u>	<u>31,172</u>	<u>2,916</u>	<u>3,870</u>	<u>4,505</u>	<u>(19,832)</u>
Balance as at September 30, 2021	<u>146,898</u>	<u>(57,313)</u>	<u>(9,707)</u>	<u>(3,872)</u>	<u>(4,122)</u>	<u>71,884</u>

19. SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

	Fiscal years ended September 30	
	2022	2021
Change in other operating assets and liabilities:		
Trade and other receivables	(47,737)	(4,788)
Inventories	(66,906)	(38,621)
Prepaid expenses	518	(3,072)
Accounts payable and accrued liabilities	44,298	17,220
Income taxes payable and receivable	(13,446)	(16,810)
	(83,273)	(46,071)
Other cash information:		
Interest paid	208,249	206,644
Income taxes paid	11,839	25,476

Accounts payable and accrued liabilities included an amount of \$42,045 as at September 30, 2022 related to the purchase of property, plant and equipment (\$29,727 in 2021). These transactions have no impact on cash and are therefore not reflected in the consolidated statements of cash flows.

20. EMPLOYEE FUTURE BENEFITS

Énergir Inc. maintains defined benefit pension plans and defined contribution pension plans that cover virtually all of its employees as well as deferred compensation plans that are not funded. For the defined contribution pension plans, employer contributions are based on employee contributions. The cost recognized for defined contribution pension plans was \$4,582 for the fiscal year ended September 30, 2022 and \$4,252 for the fiscal year ended September 30, 2021.

The defined benefit pension plans are funded plans, which ensures that employees will receive pension benefits determined according to length of service and salary of the highest earning years.

The dates of the most recent actuarial valuations and of the next mandatory actuarial valuations for purposes of funding the funded pension plans are as follows:

	Date of most recent actuarial valuation	Date of mandatory actuarial valuation
Énergir, L.P.	December 31, 2021	December 31, 2024
Gaz Métro Plus ⁽¹⁾	—	—
GMP	January 1, 2022	January 1, 2023
VGS	January 1, 2022	January 1, 2023

⁽¹⁾ As part of the asset sale transaction (refer to Note 4), initiatives were undertaken to split the pension plans and transfer the assets and liabilities related to Gaz Métro Plus's employees to the buyer, as they are now employed by the buyer. This split is subject to the approval of Retraite Québec.

Énergir Inc. also provides PRB plans that include supplemental health care and life insurance coverage to virtually all of its employees and their spouses and qualified dependants. These plans are not funded, except in the case of GMP.

The following tables describe the employee-future-benefits-related obligations and costs as well as the impact of the unrecognized costs in QDA's consolidated statement of income.

COMPONENTS OF THE FUNDED STATUS OF THE PLANS

The following table presents the components of the funded status of the plans included on the consolidated balance sheets as at September 30, 2022 and 2021:

	<u>2022</u>	2021	<u>2022</u>	2021
	<u>DBP plans</u>	DBP plans	<u>PRB plans</u>	PRB plans
Change in projected benefit obligations				
Balance at beginning	1,374,724	1,488,809	228,632	247,733
Current service cost	35,675	42,137	7,505	9,468
Interest cost	37,734	33,092	6,546	5,887
Employee contributions	7,583	7,499	1,633	1,361
Other contributions and employee transfers	4,321	4,257	157	230
Benefits paid and refunds	(76,781)	(82,603)	(7,828)	(6,856)
Actuarial losses (gains)	(308,569)	(98,006)	(64,513)	(26,432)
Impact of plan amendments	—	—	(14,963)	—
Impact of the disposal of the plans and payments (Note 4)	(13,909)	—	(6,022)	—
Impact of exchange rate fluctuations	23,021	(20,461)	3,423	(2,759)
Balance at end	1,083,799	1,374,724	154,570	228,632
Change in plan assets, at fair value				
Balance at beginning	1,182,618	1,114,747	68,471	64,759
Actual return on plan assets	(86,933)	124,286	(12,869)	8,525
Employer contributions	24,276	29,479	3,722	3,769
Employee contributions	7,583	7,499	1,633	1,361
Other contributions and employee transfers	4,321	4,257	—	—
Benefits paid and refunds	(76,781)	(82,603)	(7,828)	(6,856)
Impact of the disposal of the plans and payments (Note 4)	(13,909)	—	—	—
Impact of exchange rate fluctuations	18,797	(15,047)	4,900	(3,087)
Balance at end	1,059,972	1,182,618	58,029	68,471
Funded status - Plan deficit	(23,827)	(192,106)	(96,541)	(160,161)
Presented as follows:				
Other noncurrent assets	—	—	17,552	18,381
Other noncurrent liabilities	(23,827)	(192,106)	(114,093)	(178,542)
	(23,827)	(192,106)	(96,541)	(160,161)

PLAN ASSETS

The following table shows the allocation of plan assets as at September 30, 2022 and 2021:

Asset categories	Target allocation (in %)	Percentage of plan assets (in %)	
		<u>2022</u>	2021
Fixed-income securities	37.0	38.8	36.5
Equity securities	63.0	61.2	63.5
	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>

Plan investments and the associated risks are managed by each plan's investment policy. Managing investment risk consists of diversifying both the sources of risk and the sources of return so as to minimize any possible

ÉNERGIR INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(in thousands of dollars)

declines in total net assets and to maximize the potential gains of the portfolio as a whole. The investment policies manage financial risk by creating investment diversification among short-term notes, equity securities, bonds, mutual fund units, and cash. Within each investment category, the diversification criteria and exposure limits are defined. The investment policies also permit the use of derivative financial instruments.

All investments are measured at fair value using current market value. When fair value cannot be readily determined by reference to generally available prices, it is determined by analyzing risk-adjusted discounted cash flows and by comparing market prices for similar assets quoted on a stock market.

The following tables present the estimated fair value measurements of the DBP and PRB plan assets and the classification thereof within the three levels of the fair value hierarchy:

	September 30, 2022				
	Level 1	Level 2	Level 3	Net asset value	Total
Asset categories					
Cash and cash equivalents	21,889	—	—	—	21,889
Equity investments	58,396	10,229	—	—	68,625
Bond investments	84,199	108,613	—	—	192,812
Mutual fund units	39,711	542,172	—	252,578	834,461
Other ⁽¹⁾	214	—	—	—	214
	204,409	661,014	—	252,578	1,118,001
	September 30, 2021				
	Level 1	Level 2	Level 3	Net asset value	Total
Asset categories					
Cash and cash equivalents	17,335	—	—	—	17,335
Equity investments	89,558	16,343	—	—	105,901
Bond investments	96,965	109,181	—	—	206,146
Mutual fund units	61,876	670,138	—	194,733	926,747
Other ⁽¹⁾	(5,040)	—	—	—	(5,040)
	260,694	795,662	—	194,733	1,251,089

⁽¹⁾ The Other asset category comprises amounts receivable of \$28,729 (\$2,948 in 2021) and expenses payable of \$28,515 (\$7,988 in 2021) needed to administer plan assets. These assets are measured at cost.

COMPONENTS OF THE NET PROJECTED BENEFIT COST

The following table presents the components of the net projected benefit cost of the DBP plans and the PRB plans:

	Fiscal years ended September 30			
	2022	2021	2022	2021
	DBP plans	DBP plans	PRB plans	PRB plans
Current service cost	35,675	42,137	9,155	9,468
Interest cost	37,734	33,092	6,546	5,887
Expected return on plan assets	(65,108)	(62,764)	(4,327)	(4,000)
Amortization of net actuarial losses	10,973	27,534	794	3,936
Amortization of past service costs	—	138	(230)	163
Impact of the disposal of the plans and payments (Note 4)	—	—	(6,022)	—
Net cost	19,274	40,137	5,916	15,454
Representing:				
Unrecognized cost (revenue) of QDA ⁽¹⁾	(18,662)	4,586	(1,924)	4,868
Recognized cost	37,936	35,551	7,840	10,586

⁽¹⁾ The unrecognized cost (revenue) of QDA is the difference between the net projected benefit cost estimated upon preparation of the rate case and the actuarially determined cost. This budgetary difference is recorded as an RAL (refer to Note 6).

PRESENTATION OF THE RECOGNIZED COST ON THE CONSOLIDATED STATEMENTS OF INCOME

	Fiscal years ended September 30			
	2022	2021	2022	2021
	DBP plans	DBP plans	PRB plans	PRB plans
Operating and maintenance	44,351	40,879	7,174	6,907
Financial and other expenses	(6,415)	(5,328)	666	3,679
Recognized cost	37,936	35,551	7,840	10,586

COMPONENTS OF ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

	Fiscal years ended September 30			
	2022	2021	2022	2021
	DBP plans	DBP plans	PRB plans	PRB plans
Balance at beginning	(3,357)	(6,633)	(515)	(1,109)
Net actuarial gains during the year	2,379	4,206	1,270	702
Amortization of net actuarial (gains) losses	(4)	266	14	92
Impact of the disposal of the plans and payments (Note 4)	1,879	—	(588)	—
Income taxes (recovered)	(1,134)	(1,196)	(181)	(200)
Change in other comprehensive income	3,120	3,276	515	594
Balance at end	(237)	(3,357)	—	(515)

COMPONENTS OF NET REGULATORY ASSETS RELATED TO EMPLOYEE FUTURE BENEFITS ⁽¹⁾

	Fiscal years ended September 30			
	2022	2021	2022	2021
	DBP plans	DBP plans	PRB plans	PRB plans
Net actuarial losses (gains)	48,149	207,487	(27,519)	21,492
Past service cost	—	—	(13,877)	856
First-time adoption of U.S. GAAP	(36,029)	(38,603)	60,842	65,189
Business acquisition	31,987	33,657	5,053	5,468
Budget variances	6,596	23,947	5,957	7,444
Total net regulatory assets	50,703	226,488	30,456	100,449

⁽¹⁾ For additional information on these RAL, refer to Note 6.

CASH FLOWS

The following table presents the cash flows expected from the DBP and PRB plans:

	DBP plans	PRB plans
Expected employer contributions during the year:		
2023	20,726	4,674
Expected benefit payments:		
2023	57,437	4,674
2024	58,571	4,870
2025	59,109	5,063
2026	59,758	4,882
2027	60,612	4,903
2028-2032	294,282	27,493

MAIN ACTUARIAL ASSUMPTIONS

	<u>2022</u>	2021	<u>2022</u>	2021
	DBP plans (in %)	DBP plans (in %)	PRB plans (in %)	PRB plans (in %)
Projected benefit obligations at the measurement date				
Discount rate	5.20	3.21	5.21	3.29
Rate of compensation increase	2.75	2.75	2.75	2.75
Benefit cost for the 12-month period ended at the measurement date				
Discount rate	3.45	2.99	3.41	3.04
Expected long-term rate of return on plan assets	5.80	5.85	6.4	6.65
Rate of compensation increase	2.88	2.88	2.75	2.75

The assumed health care cost trend rates used to project costs for fiscal 2023 for certain PRB plans are 5.3% for QDA and 6.5% for GMP. These rates decline gradually to 4.1% in 2040 for QDA and to 5.0% in 2029 for GMP, and remain at those levels thereafter.

21. INCOME TAXES

	<u>2022</u>	2021
Income before income taxes	212,480	180,548
Current income taxes (recovered)	(2,119)	8,183
Deferred income taxes	26,388	53,319
Income taxes	24,269	61,502

In August 2022, the U.S. government passed the *Inflation Reduction Act of 2022*. Most of the provisions therein come into effect for taxation years beginning after December 31, 2022. This law introduces a minimum 15% tax applicable to certain businesses as well as green energy incentives. It does not have an impact on the current fiscal year ended September 30, 2022. Énergir Inc. is currently assessing the potential impact of this law on its future income taxes.

RECONCILIATION OF INCOME TAX RATES

The effective income tax rate differs from the rate computed under Canadian income tax legislation. This difference between the statutory tax rate and the effective income tax rate is explained in the following table:

	<u>2022</u>	<u>2021</u>
Income before income taxes	212,480	180,548
Statutory income tax rate (in %)	26.5	26.5
Income taxes at statutory rate	56,307	47,845
Increase (decrease) attributable to the following:		
Portion of income from limited partnerships that is taxable to the non-controlling partner	(9,880)	(7,589)
Tax rate variance between jurisdictions	2,358	2,668
Deferred income taxes related to rate-regulated activities	(7,960)	(2,894)
Valuation allowance	—	17,624
Gain on disposal of Standard Solar Inc. ("Standard Solar")	—	4,740
Tax credits and additional capital cost allowance in Quebec	(7,989)	(5,751)
Impact of U.S. tax reform	(5,252)	(2,303)
Withholding tax on dividends	2,959	2,212
Deferred income taxes related to the outside-basis difference on the interest in Énergir, L.P.	(1,084)	673
Taxes related to the foreign exchange impact on a transaction between entities under common control	—	1,352
Difference between the tax provision and the tax return	—	—
Net impact of non-taxable items, permanent differences, and other items	(5,190)	2,925
Income taxes	24,269	61,502
Effective income tax rate (in %)	11.4	34.1

COMPONENTS OF DEFERRED INCOME TAXES

	<u>2022</u>	<u>2021</u>
Non-deductible allowances	32,315	26,298
Non-capital loss and tax credit carryforwards	121,398	117,016
Regulatory assets and liabilities	3,450	24,079
Property, plant and equipment and intangible assets	(412,218)	(375,702)
Employee future benefits	(677)	1,018
Derivative financial instruments	27,349	23,746
Investments	(406,861)	(366,583)
Other	1,306	1,903
	(633,938)	(548,225)
Valuation allowance (a)	(27,389)	(17,624)
Net deferred income tax liability	(661,327)	(565,849)

(a) As at September 30, 2022, a valuation allowance of \$27,389 (\$17,624 in 2021) was recognized with respect to a deferred tax asset on unrealized exchange losses on U.S.-dollar-denominated debt, given that it is more likely than not that Énergir Inc. will not be able to use the capital losses in the future.

Other deferred tax assets consist mainly of non-capital loss carryforwards and tax credit carryforwards that were realized by Énergir Inc.'s subsidiaries. These subsidiaries have deemed it more likely than not that they will be able to use their non-capital losses of \$228,101 before they expire, i.e., between 2033 and 2039, and the tax credits of \$67,298 before they expire, i.e., between 2029 and 2042, taking into consideration reversals of taxable temporary differences and future taxable income.

22. SEGMENT INFORMATION

The below-described business segments were established based on Énergir Inc.'s management structure and reflect how management assesses their performance.

Energy Distribution: This segment encompasses QDA's activities and the electricity and natural gas distribution activities in Vermont (GMP and VGS). This segment's activities are subject to rate regulation by regulatory agencies in Quebec and Vermont.

Natural Gas Transportation: This segment reflects the results from Énergir Inc.'s business interests in three natural gas transportation companies, i.e., Trans Québec & Maritimes Pipeline Inc., as mandatary for TQM Pipeline and Company Limited Partnership; Champion Pipe Line Corporation Limited; and PNGTS.

Energy Production: This segment encompasses the non-rate-regulated energy production activities related to the wind power projects on the private lands of Seigneurie de Beaupré.

Energy Services, Storage and Other: This segment combines Énergir Inc.'s non-regulated commercial activities, in particular those related to the sale of liquefied natural gas as a fuel or energy product and related to power generation and transmission from a thermal power plant. Sale, leasing, and maintenance services for natural gas appliances were also included in this segment up to June 30, 2022 (refer to Note 4). This segment also includes the results of the ownership interest in Intragaz's underground natural gas storage activities in Quebec.

Corporate Affairs: This segment encompasses all of Énergir Inc.'s other activities that are not directly attributable to the other segments as well as intersegment eliminations.

ÉNERGIR INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(in thousands of dollars)

Fiscal year ended September 30, 2022

	Energy Distribution			Natural Gas Transportation ⁽¹⁾	Electricity Production	Energy Services, Storage and Other	Corporate Affairs	Total
	QDA	Vermont ⁽¹⁾	Total					
	Revenues from external customers	1,760,865	1,175,632					
Intersegment revenues	45,371	700	46,071	4,087	—	1,387	(51,545)	—
Total revenues	1,806,236	1,176,332	2,982,568	4,087	—	110,094	(51,545)	3,045,204
Direct costs	1,182,539	724,346	1,906,885	—	—	4,104	—	1,910,989
Intersegment direct costs	5,404	—	5,404	—	—	46,461	(51,865)	—
Total direct costs	1,187,943	724,346	1,912,289	—	—	50,565	(51,865)	1,910,989
Gross margin	618,293	451,986	1,070,279	4,087	—	59,529	320	1,134,215
Operating and maintenance expenses	282,424	240,610	523,034	837	81	42,750	23,522	590,224
Intersegment operating and maintenance expenses	700	—	700	804	313	2,025	(3,842)	—
Share in the earnings of equity-accounted interests	—	92,559	92,559	53,828	17,033	4,638	(30)	168,028
Amortization	163,037	124,012	287,049	749	—	9,241	—	297,039
Interest on long-term debt	38,867	51,855	90,722	291	—	266	103,304	194,583
Financial and other expenses, net	1,308	7,021	8,329	628	(14)	(154)	(872)	7,917
Income (loss) before income taxes	131,957	121,047	253,004	54,606	16,653	10,039	(121,822)	212,480
Income taxes (recovered)	11,086	19,874	30,960	7,888	2,684	1,899	(19,162)	24,269
Net income (loss)	120,871	101,173	222,044	46,718	13,969	8,140	(102,660)	188,211
Net income (loss) attributable to:								
The shareholder	82,600	71,454	154,054	33,169	4,031	3,007	(84,679)	109,582
Non-controlling interests	38,271	29,719	67,990	13,549	9,938	5,133	(17,981)	78,629
Purchases of property, plant and equipment	179,830	159,078	338,908	3,339	—	9,894	—	352,141
Equity-accounted interests	—	951,711	951,711	303,159	36,886	84,424	(318)	1,375,862
Property, plant and equipment	2,490,663	2,553,741	5,044,404	25,840	3	171,703	—	5,241,950
Goodwill	75,057	419,122	494,179	273	—	16,146	—	510,598
Total assets	4,145,569	5,075,117	9,220,686	329,911	38,100	335,505	3,167	9,927,369

⁽¹⁾ The Vermont energy distribution activities and PNGTS's transportation activities are carried out in the United States; all of Énergir Inc.'s other activities are carried out in Canada.

ÉNERGIR INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(in thousands of dollars)

Fiscal year ended September 30, 2021

	Energy Distribution			Natural Gas Transportation ⁽¹⁾	Electricity Production	Energy Services, Storage and Other	Corporate Affairs	Total
	QDA	Vermont ⁽¹⁾	Total					
Revenues from external customers	1,304,719	1,064,351	2,369,070	—	—	65,170	—	2,434,240
Intersegment revenues	19,605	97	19,702	4,043	—	1,050	(24,795)	—
Dividends	—	—	—	—	—	—	—	—
Total revenues	1,324,324	1,064,448	2,388,772	4,043	—	66,220	(24,795)	2,434,240
Direct costs	720,560	636,062	1,356,622	—	—	5,163	—	1,361,785
Intersegment direct costs	5,093	—	5,093	—	—	19,471	(24,564)	—
Total direct costs	725,653	636,062	1,361,715	—	—	24,634	(24,564)	1,361,785
Gross margin	598,671	428,386	1,027,057	4,043	—	41,586	(231)	1,072,455
Operating and maintenance expenses	275,980	224,484	500,464	1,694	382	28,345	18,834	549,719
Intersegment operating and maintenance expenses	1,084	—	1,084	—	—	371	(1,455)	—
Share in the earnings of equity-accounted interests	—	94,817	94,817	39,135	20,530	3,891	(65)	158,308
Amortization	144,171	119,046	263,217	736	—	27,992	—	291,945
Interest on long-term debt	48,749	52,829	101,578	197	—	148	94,760	196,683
Financial and other expenses, net	1,076	5,184	6,260	573	(362)	360	5,037	11,868
Income (loss) before income taxes	127,611	121,660	249,271	39,978	20,510	(11,739)	(117,472)	180,548
Income taxes (recovered)	23,123	25,626	48,749	10,177	6,644	(2,303)	(1,765)	61,502
Net income (loss)	104,488	96,034	200,522	29,801	13,866	(9,436)	(115,707)	119,046
Net income (loss) attributable to:								
The shareholder	67,478	67,486	134,964	21,158	2,737	(5,392)	(96,640)	56,827
Non-controlling interests	37,010	28,548	65,558	8,643	11,129	(4,044)	(19,067)	62,219
Purchases of property, plant and equipment	163,296	155,113	318,409	1,909	—	9,165	—	329,483
Equity-accounted interests	—	827,161	827,161	251,260	12,935	79,785	1,828	1,172,969
Property, plant and equipment	2,416,774	2,285,377	4,702,151	23,518	3	182,619	—	4,908,291
Goodwill	75,057	385,182	460,239	273	—	16,146	—	476,658
Total assets	4,047,110	4,668,266	8,715,376	283,033	14,251	320,704	(16,746)	9,316,618

⁽¹⁾ The Vermont energy distribution activities and PNGTS's transportation activities are carried out in the United States; all of Énergir Inc.'s other activities are carried out in Canada.

23. RELATED PARTY TRANSACTIONS

Intragaz, Limited Partnership, provided natural gas storage services to QDA totalling \$18,145 for the fiscal year ended September 30, 2022 (\$18,150 in 2021). These services are presented as Direct costs in the consolidated statement of income.

During the fiscal year ended September 30, 2022, Transco provided GMP with electricity transmission services totalling \$32,197 (\$29,007 in 2021). These services are presented as Direct costs in the consolidated statement of income.

As at September 30, 2022 and 2021, the balance of subordinated debentures payable to Noverco was \$892,798. During fiscal 2022, the interest on these subordinated debentures recognized in Énergir Inc.'s consolidated statement of income was \$56,278 (\$49,718 in 2021). A balance payable of \$14,070 (\$12,396 as at September 30, 2021) related to these interest amounts was presented in the Accounts payable and accrued liabilities item of the consolidated balance sheet.

In accordance with a service agreement signed on January 14, 2022, CDPQ Global Infrastructure Inc. provided management services to Énergir, L.P. These fees are reported in the Operating and maintenance item of the consolidated statement of income and stood at \$4,283 for the fiscal year ended September 30, 2022 (nil in 2021).

These related party transactions were carried out in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Énergir Inc. loaned amounts to Énergir, L.P., and Énergir, L.P. guarantees certain commitments of Énergir, Inc. For additional information, refer to Notes 15 and 27.

24. TRANSACTIONS BETWEEN ENTITIES UNDER COMMON CONTROL

On October 1, 2020, Énergir Inc., through its indirect subsidiary NNEEC, disposed of the common shares held in Standard Solar to Énergir Solutions (US) Inc. ("ESUS"), a subsidiary indirectly owned by Noverco, for a selling price of \$352,159 (US\$265,000). The transaction was paid in four instalments of US\$66,250, the last of which was made in June 2021. The balance of the selling price was bearing interest at an annual rate of 5.11%.

As part of the financing for this transaction, Énergir Inc. reduced its capital by making four payments, the total amount of which was \$239,449, to Noverco during fiscal 2021. In addition, as part of the transaction, the shareholder of ESUS assumed responsibility for the financial guarantees issued by NNEEC in favour of Standard Solar.

Since NNEEC is indirectly controlled by Noverco, this disposal constitutes a transaction under common control. As a result, the difference between the selling price and the carrying amount, i.e., an amount of \$10,903, was recognized in Additional paid-in capital during fiscal 2021. Of this amount, Énergir Inc.'s proportionate share was \$7,741.

Upon finalization of the transaction, Standard Solar's carrying amount as at October 1, 2020 was adjusted upwards by \$9,230. Énergir Inc.'s proportionate share of this adjustment was \$6,553 and was recognized in Retained earnings during fiscal 2021.

During fiscal 2021, this transaction generated a tax capital gain of \$42,877 and a tax expense of \$4,740 for NNEEC.

The final adjusted carrying amounts of the assets and liabilities disposed as at October 1, 2020 were as follows:

ASSETS

Current assets

Cash and cash equivalents	20,632
Restricted cash and cash equivalents	13,196
Trade and other receivables	6,038
Prepaid expenses	1,899
Total current assets	41,765

Restricted cash and cash equivalents	12,697
Property, plant and equipment	539,703
Goodwill	16,844
Deferred income taxes	17,402
Other noncurrent assets	42,924
Total noncurrent assets	629,570
TOTAL ASSETS	671,335

LIABILITIES

Current liabilities

Bank loans	53,156
Accounts payable and accrued liabilities	34,854
Current portion of long-term debt	6,477
Total current liabilities	94,487

Long-term debt	173,782
Deferred income taxes	7,191
Derivative financial instruments	6,720
Other noncurrent liabilities	37,593
Total noncurrent liabilities	225,286
TOTAL LIABILITIES	319,773

Disposed net assets	351,562
Accumulated other comprehensive income	4,290
Non-controlling interests	(14,596)
Share of disposed net assets	341,256

25. FINANCIAL INSTRUMENTS

NON-DERIVATIVE FINANCIAL INSTRUMENTS

For its investment funds, Énergir Inc. applies a practical expedient that permits measuring the investment at net asset value.

The fair value of long-term debt, including current portions, is based on future cash flows discounted at interest rates that Énergir Inc. could have obtained on the consolidated balance sheet dates for borrowings with similar conditions and maturity dates. The fair value of long-term debt, with a carrying amount of \$5,344,388, was \$5,057,657 as at September 30, 2022 (\$4,736,860 and \$5,275,622, respectively, as at September 30, 2021).

Fair value represents the estimate of the consideration that would be agreed upon in an arm's length transaction between willing and knowledgeable parties. Fair value is determined at a specific date and could be amended during future periods as a result of market conditions or other factors.

DERIVATIVE FINANCIAL INSTRUMENTS

Fair value of derivative financial instruments

The fair value of derivative financial instruments reflects the amounts that Énergir Inc. estimates it would receive upon settlement of favourable contracts or would be obliged to pay to terminate unfavourable contracts at the reporting date. This fair value for derivative financial instruments is estimated using spot rates or forward rates or prices at the close of markets on the reporting date. In the absence of such information for a given instrument, the forward rate or price of a similar instrument is used. A risk premium is added to the risk-free interest rate when estimating fair value to reflect the credit risk of Énergir Inc., Énergir, L.P., the subsidiaries, and each counterparty.

The fair values of the various categories of derivative financial instruments are as follows:

	September 30, 2022		September 30, 2021	
	Assets	Liabilities	Assets	Liabilities
Derivative instruments designated as net investment hedges				
Cross-currency swaps (a)	—	6,673	—	—
Total	—	6,673	—	—
Derivative instruments not designated as hedges (b)				
Forward exchange contracts	610	—	—	—
Instruments related to natural gas:				
Fixed-price swaps	8,856	3,108	14,574	—
Instruments related to electricity:				
Power purchase agreements (c)	565,736	38,402	220,402	418,599
Total	575,202	41,510	234,976	418,599
Total derivative instruments	575,202	48,183	234,976	418,599
Portions presented on the consolidated balance sheets				
Current	272,652	3,108	140,296	—
Noncurrent	302,550	45,075	94,680	418,599
Total	575,202	48,183	234,976	418,599

(a) During fiscal 2022, Énergir, L.P. entered into cross-currency swaps denominated in U.S. dollars to manage its exposure to the exchange risk related to the net investment in foreign operations. These swaps were designated as net investment hedges.

(b) These derivative financial instruments are related to rate-regulated activities, and the offsetting entry of the remeasurements is recognized as RAL on the consolidated balance sheets. Accordingly, no gain or loss has been recorded in income or in other comprehensive income under the regulatory treatment. Refer to Note 6.

(c) During fiscal 2021, GMP concluded that certain power purchase agreements were no longer satisfying the normal purchases and normal sales criteria given that the power supply was exceeding demand for the agreements covering fiscal years 2023 to 2035. As a result, GMP recognized these derivative contracts at fair value.

The notional amounts of the various categories of derivative financial instruments are as follows:

	September 30, 2022	September 30, 2021
Instruments related to exchange rates:		
Cross-currency swaps (in thousands of dollars)	200,000	—
Forward exchange contracts (in thousands of dollars)	8,777	—
Instruments related to natural gas:		
Fixed-price swaps (in thousands of gigajoules)	5,891	5,843
Instruments related to electricity:		
Power purchase agreements (in thousands of megawatthours)	39,399	41,977

Fair value hierarchy of derivative financial instruments

As at September 30, 2022, the fair values of all derivative financial instruments were measured according to Level 2, except for power purchase agreements.

Power purchase agreements were entered into to hedge a portion of future costs, and the measurement of these agreements is classified as Level 3 since the valuation technique uses a significant unobservable assumption concerning forward prices on the power market. The fair values of these derivative financial instruments were calculated using discounted future cash flows.

In 2022, given market fluctuations that caused significant differences in the price assumptions used in valuation techniques, all of the power purchase agreements were classified in Level 3.

As at September 30, 2022, the fair values of Level 3 derivative financial instruments were measured using the assumptions presented in the table below. The weighted averages were calculated based on the relative quantity of contracted power in MWh of each contract:

	Risk-free rate (in %)	Weighted average risk- free rate (in %)	Discount rate (in %)	Implicit price volatility	Forward price (in US\$/MWh)	Weighted average forward price (in US\$/MWh)
Power purchase agreements	2.08 to 4.22	3.08	3.92	N/A	26.00 to 265.95	74.06

The following table presents the changes in the net fair values of the financial instruments classified in Level 3 of the fair value hierarchy:

	Fiscal years ended September 30	
	2022	2021
Balance at beginning	(224,135)	(18,772)
Change in fair value related to unrealized gains	665,960	45,249
Change in fair value related to unrealized losses on additions of derivative instruments	—	(251,940)
Translation adjustments of foreign operations	37,022	1,328
Transfers from Level 2 to Level 3	48,487	—
Balance at end	527,334	(224,135)

26. FINANCIAL INSTRUMENT RISK MANAGEMENT

OVERVIEW OF RISK MANAGEMENT

Énergir Inc. is exposed to market risk, credit risk, and liquidity risk. The existing strategies, policies, and controls are designed to ensure that the risks assumed by Énergir Inc. related to its financial instruments comply with regulatory requirements, its objectives, and its risk tolerance. Risks are managed within limits approved by Énergir Inc.'s board of directors and applied by management.

MARKET RISK

There are several classes of market risk. Risk factors such as changes in exchange rates, interest rates, and inflation rates and in natural gas and electricity prices have an impact on the fair values of financial assets and liabilities.

Exchange rate risk

The secured senior notes and a portion of the term credit facilities denominated in U.S. dollars as well as the cross-currency swaps of Énergir Inc. are designated as hedges of an equivalent portion of net investments in foreign operations. As such, the impact of exchange rate changes on the portion designated as hedges of these instruments is recognized in Other comprehensive income, partly reducing translation adjustments of foreign operations. Moreover, forward exchange contracts are used to manage the exchange risk exposure on transactions for supplies in the United States.

As at September 30, 2022, a 5% appreciation (depreciation) of the U.S. dollar versus the Canadian dollar would have had a negative (positive) impact of \$1,181 on Énergir Inc.'s consolidated net income and of \$39,960 on its consolidated comprehensive income.

Interest rate risk

Énergir Inc. is exposed to the risk of fluctuations in interest rates, which are notably influenced by inflation, and it manages such risk mainly through a policy of fixing interest rates whereby it maintains a significant portion of its long-term debt at a fixed rate.

Énergir Inc. is exposed to interest rate risk on its bank loans and on the floating rate portion of its long-term debt. Énergir Inc. uses interest rate swaps, which it designates for hedging purposes, to fix interest rates on the floating-rate portion of the long-term debt. For QDA, under a regulatory treatment, the financial impacts of the differences between the actual interest rates and those used when setting the rates for a given year are reflected in the rates of a future fiscal year and, consequently, have no impact on net income.

As at September 30, 2022, with all other variables being constant, a 100-basis-point increase in interest rates would have reduced consolidated net income by approximately \$14,060 and a 100-basis-point decrease in interest rates would have increased consolidated net income by approximately \$14,207.

Energy cost risk

In Quebec, natural gas must be sold to customers at cost and is not subject to hedging with derivative financial instruments. In Vermont, GMP and VGS use an adjustment mechanism that minimizes the risk of fluctuating electricity and natural gas prices. Derivative financial instruments related to electricity and natural gas are used to manage customer exposure to volatility in electricity and natural gas prices. Furthermore, all energy price fluctuations, including gains and losses on derivative financial instruments, are recorded as RAL such that they can be reflected through future rates pursuant to VPUC decisions.

CREDIT RISK

Credit risk is the risk that a customer, with whom Énergir Inc. or one of its subsidiaries enters into sales transactions for goods or services, or a counterparty to derivative financial instruments, is unable to fulfill its obligations under the agreements into which it has entered, and that such a situation results in a financial loss. Inflation increases the possibility of counterparty defaults and, as a result, the number and amounts of bad debts and delinquent accounts could increase. Énergir Inc. is monitoring the inflation situation and its impacts on credit risk. The maximum counterparty credit risk exposure is the carrying amount of the financial instruments reported in assets in the consolidated balance sheets.

The aging of the trade accounts receivable is presented below:

	2022	2021
Less than 30 days	242,642	172,811
30 to 60 days	15,945	12,962
61 to 90 days	4,194	6,174
Over 90 days	33,488	42,343
	296,269	234,290
Less: Allowance for doubtful accounts	21,096	18,117
	275,173	216,173

Trade and other receivables credit concentration is limited given the diversity and large number of customers. Credit risk from trade and other receivables is mitigated through various means, including obtaining security deposits from customers in circumstances permitted by regulatory agencies. As at September 30, 2022, Énergir Inc. had short-term and long-term security deposits from customers amounting to \$26,126 compared to \$25,926 as at September 30, 2021.

All credit risk relating to counterparties is mitigated by using credit risk management techniques that measure and monitor a counterparty's creditworthiness; by entering into agreements with multiple counterparties; by setting risk limits; by controlling risk according to such limits; by establishing credit support agreements; and by obtaining financial guarantees and security deposits where warranted and under terms and conditions approved by regulatory authorities. Énergir Inc. closely monitors and manages counterparty credit risk concentration and remains apprised of new practices used to manage credit risk.

As at September 30, 2022, most of the counterparties to derivative financial instruments had a high credit rating that was at least equivalent to that of Énergir Inc., and all are major companies that meet Énergir Inc.'s credit assessment criteria.

LIQUIDITY RISK

Liquidity risk is the risk that Énergir Inc. would be unable to pay its financial commitments as they become due. Énergir Inc. manages liquidity risk by forecasting its cash flows in order to determine its financing needs and by ensuring that it has sufficient cash and credit facilities to fulfill its needs and to meet its obligations as they become due. To satisfy its financing needs, Énergir Inc. has access to a combination of committed and demand credit facilities as well as to capital markets, directly through Énergir Inc., Énergir, L.P. or some of its subsidiaries and joint ventures. However, any significant reduction in the ability of Énergir Inc., Énergir, L.P. or some of its subsidiaries or joint ventures to access capital markets at acceptable conditions, or any significant increase in their financing costs, by reason of, for example, significant deterioration in economic conditions, the general condition of financial markets, a negative financial market perception of their financial position or outlook, or a downgrade of their credit ratings, could have an unfavourable impact on Énergir Inc.'s activities, financial position, or net income.

27. COMMITMENTS AND GUARANTEES

AS ÉNERGIR, L.P.'S GENERAL PARTNER

Under the terms and conditions of its trust deeds and various agreements governing long-term debt, Énergir Inc. has agreed not to perform any activity or to acquire any property, security, or assets other than those acquired in its capacity as General Partner of Énergir, L.P. nor any of such items with a total cost exceeding 1% of its consolidated total assets, except for property acquired to replace property it had held during the corporate reorganization of 1991.

Énergir Inc. also agreed that it would not assume any liabilities other than (i) those related to borrowings intended to be reloaned to Énergir, L.P., (ii) the subordinated debentures (refer to Note 15), and (iii) any other debt, for a total amount not exceeding 1% of its consolidated total assets, all as defined in the trust deeds.

ÉNERGIR, L.P. AND ITS SUBSIDIARIES AND JOINT VENTURES

SUPPLY CONTRACTS

In the normal course of business, energy supply (natural gas and electricity) contracts, natural gas transportation and storage contracts, and other supply contracts were entered into for various periods. For most of these contracts, prices are established based on the market or on rates that are periodically approved by regulatory agencies. The costs relating to these contracts will be recovered from customers in the corresponding periods.

As at September 30, 2022, the schedule of contractual commitments related to the different types of supply, for which the duration is more than one year, was as follows:

	2023	2024	2025	2026	2027	Subsequent fiscal years	Total
Energy supply	362,381	356,697	370,859	341,486	332,698	4,544,523	6,308,644
Transportation	277,397	258,965	252,223	240,014	162,745	688,512	1,879,856
Storage	20,177	7,336	2,972	—	—	—	30,485
Other	17,891	9,567	4,273	895	303	—	32,929
Total	677,846	632,565	630,327	582,395	495,746	5,233,035	8,251,914

Contractual commitments are shown according to the best estimates of the prices and rates prevailing on the balance sheet date, with the exception of fixed-price contracts.

LEASES

Énergir Inc. and its subsidiaries entered into operating and finance leases for commercial premises and other assets used in the normal course of their operations. The minimum annual amounts payable under these leases are as follows:

	2023	2024	2025	2026	2027	Subsequent years	Total
Leases	1,784	1,485	1,267	1,144	956	16,614	23,250

GUARANTEES

Énergir, L.P. issued letters of credit in an aggregate amount of \$27,271 to guarantee a portion of employee future benefits. If the letters of credit are not renewed, alternative solutions would have to be considered to guarantee Énergir, L.P.'s commitments vis-à-vis these employee future benefits.

Énergir Inc., Énergir, L.P. and some of its subsidiaries issued, in the normal course of their operations, certain letters of credit totalling \$36,821 as at September 30, 2022 as well as financial guarantees for which the amounts cannot be reliably estimated.

As at September 30, 2022, Énergir Inc. had not accounted for this guarantee liability, as it did not expect that payments would have to be made pursuant to these guarantees.

28. CONTINGENCIES

LITIGATION

Énergir Inc. is cited in claims and lawsuits in the normal course of its operations, including for environmental matters. In management's opinion, these claims and lawsuits are, for the most part, covered by appropriate insurance coverage. The outcome of these claims and lawsuits is not expected to have a significant impact on Énergir Inc.'s consolidated net income or consolidated financial position.

29. SUBSEQUENT EVENTS

These consolidated financial statements and accompanying notes reflect Énergir Inc.'s evaluation of events that have occurred between the balance sheet date and November 22, 2022, i.e., the date on which these consolidated financial statements were approved.

DECLARATION OF A DIVIDEND

On November 22, 2022, Énergir Inc.'s board of directors declared a dividend of \$26,000 payable to the shareholder on January 4, 2023.

30. COMPARATIVE INFORMATION

Certain prior year comparative figures have been reclassified to conform with the current year's presentation.