

**ÉNERGIR INC.**

**CONSOLIDATED FINANCIAL STATEMENTS**  
**FISCAL YEARS ENDED SEPTEMBER 30, 2021 AND 2020**

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## 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 auditors 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, 2021 and 2020 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)

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

(signed)

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**MATHIEU LEPAGE, CFA**  
Chief Financial Officer of Énergir Inc.

Montreal, Canada  
November 24, 2021

## INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDER OF ÉNERGIR INC.

### OPINION

We have audited the consolidated financial statements of Énergir Inc. (the "Entity") which comprise:

- the consolidated balance sheets as at September 30, 2021 and 2020;
- 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, 2021 and 2020 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 auditors' 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 auditors' 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.
- 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.

(signed)  
KPMG LLP<sup>1</sup>  
Montreal, Canada  
November 24, 2021

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<sup>1</sup> CPA auditor, CA, public accountancy permit No. A120220

**ÉNERGIR INC.**  
**CONSOLIDATED STATEMENTS OF INCOME**

Fiscal years ended September 30  
(in thousands of dollars)

	2021	2020
<b>REVENUES</b> (Note 4)	<b>2,434,240</b>	2,585,098
<b>DIRECT COSTS</b>	<b>1,361,785</b>	1,476,186
<b>GROSS MARGIN</b>	<b>1,072,455</b>	1,108,912
<b>EXPENSES (OTHER INCOME)</b>		
Operating and maintenance	549,719	569,531
Amortization (Notes 5, 8 and 9)	291,945	278,077
Interest on long-term debt	196,683	216,091
Financial and other expenses, net	11,868	8,511
Change in the fair value of a portfolio investment	—	270,989
Gain realized on the sale of a portfolio investment	—	(263,575)
	<b>1,050,215</b>	1,079,624
<b>INCOME BEFORE THE UNDERNOTED</b>	<b>22,240</b>	29,288
Share in the earnings of equity-accounted interests	158,308	163,091
<b>INCOME BEFORE INCOME TAXES</b>	<b>180,548</b>	192,379
Income taxes (recovered) (Note 20)	61,502	(10,809)
<b>NET INCOME</b>	<b>119,046</b>	203,188
<b>NET INCOME ATTRIBUTABLE TO:</b>		
The shareholder	56,827	149,771
Non-controlling interests	62,219	53,417
	<b>119,046</b>	203,188
<b>BASIC AND DILUTED NET INCOME PER SHARE ATTRIBUTABLE TO THE SHAREHOLDER</b> (in dollars)	<b>19.09</b>	50.31
<b>BASIC AND DILUTED WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING</b> (in thousands)	<b>2,977</b>	2,977

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)

	<b>2021</b>	2020
<b>NET INCOME</b>	<b>119,046</b>	203,188
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>		
Change in translation adjustments of foreign operations	<b>(87,744)</b>	10,700
Change in translation adjustments related to net investment hedging activities, net of income taxes	<b>44,268</b>	(3,060)
Change in the fair value of derivative financial instruments designated as cash flow hedges, net of income taxes	<b>4,654</b>	(2,085)
Change in the funded status of employee future benefit plans (Note 19)	<b>6,022</b>	(3,157)
Other comprehensive income (loss) related to equity-accounted interests, net of income taxes	<b>12,489</b>	(8,711)
	<b>(20,311)</b>	(6,313)
<b>COMPREHENSIVE INCOME</b>	<b>98,735</b>	196,875
<b>COMPREHENSIVE INCOME ATTRIBUTABLE TO:</b>		
<b>The shareholder</b>	<b>36,995</b>	149,806
<b>Non-controlling interests</b>	<b>61,740</b>	47,069
	<b>98,735</b>	196,875

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, 2021 and 2020

(in thousands of dollars)

	Attributable to the shareholder						Total equity
	Share capital	Additional paid-in capital	Retained earnings	Accumulated other comprehensive income (Note 17)	Total	Non-controlling interests	
Balance as at September 30, 2020	<b>421,543</b>	—	<b>114,796</b>	<b>91,716</b>	<b>628,055</b>	<b>648,966</b>	<b>1,277,021</b>
Net income	—	—	<b>56,827</b>	—	<b>56,827</b>	<b>62,219</b>	<b>119,046</b>
Other comprehensive loss	—	—	—	<b>(19,832)</b>	<b>(19,832)</b>	<b>(479)</b>	<b>(20,311)</b>
Transactions between entities under common control (Note 23)	—	<b>7,741</b>	<b>6,553</b>	—	<b>14,294</b>	<b>(17,933)</b>	<b>(3,639)</b>
Capital contributions	—	<b>208,000</b>	—	—	<b>208,000</b>	<b>130,500</b>	<b>338,500</b>
Capital repayments (Note 23)	<b>(239,449)</b>	—	—	—	<b>(239,449)</b>	—	<b>(239,449)</b>
Dividends	—	—	<b>(45,500)</b>	—	<b>(45,500)</b>	—	<b>(45,500)</b>
Distributions	—	—	—	—	—	<b>(166,943)</b>	<b>(166,943)</b>
Balance as at September 30, 2021	<b>182,094</b>	<b>215,741</b>	<b>132,676</b>	<b>71,884</b>	<b>602,395</b>	<b>656,330</b>	<b>1,258,725</b>
Balance as at September 30, 2019	421,543	—	291,525	91,681	804,749	649,386	1,454,135
Net income	—	—	149,771	—	149,771	53,417	203,188
Other comprehensive income (loss)	—	—	—	35	35	(6,348)	(6,313)
Capital contributions	—	—	—	—	—	23,126	23,126
Dividends	—	—	(326,500)	—	(326,500)	—	(326,500)
Distributions	—	—	—	—	—	(70,615)	(70,615)
Balance as at September 30, 2020	421,543	—	114,796	91,716	628,055	648,966	1,277,021

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)

	2021	2020 <sup>(1)</sup>
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	46,830	153,690
Restricted cash and cash equivalents	10,351	34,414
Trade and other receivables (Note 6)	225,267	251,745
Regulatory assets (Note 5)	152,282	136,916
Income taxes receivable	143	2,614
Inventories (Note 7)	124,908	87,541
Prepaid expenses	28,945	33,794
Derivative financial instruments (Note 24)	140,296	3,844
Other current assets	—	626
<b>Total current assets</b>	<b>729,022</b>	<b>705,184</b>
<b>Noncurrent assets</b>		
Restricted cash and cash equivalents	77,568	84,204
Property, plant and equipment (Note 8)	4,908,291	5,459,218
Intangible assets (Notes 3 and 9)	684,226	465,323
Regulatory assets (Note 5)	985,979	766,046
Investments (Note 10)	1,235,926	1,227,461
Goodwill (Note 12)	476,658	512,951
Derivative financial instruments (Note 24)	94,680	—
Other noncurrent assets (Note 4)	124,268	144,193
<b>Total noncurrent assets</b>	<b>8,587,596</b>	<b>8,659,396</b>
<b>TOTAL ASSETS</b>	<b>9,316,618</b>	<b>9,364,580</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Bank overdraft	12,540	10,218
Bank loans (Note 13)	41,099	103,041
Accounts payable and accrued liabilities	350,694	399,617
Regulatory liabilities (Note 5)	192,744	165,334
Obligations related to greenhouse gas emission allowances (Note 3)	337,384	304,139
Income taxes payable	3,067	22,440
Distributions payable	14,953	14,948
Dividends payable	22,500	24,000
Derivative financial instruments (Note 24)	—	8,338
Current portion of long-term debt (Note 14)	239,782	199,585
<b>Total current liabilities</b>	<b>1,214,763</b>	<b>1,251,660</b>
<b>Noncurrent liabilities</b>		
Long-term debt (Note 14)	4,497,696	4,925,784
Regulatory liabilities (Note 5)	776,117	664,280
Deferred income taxes (Note 20)	565,849	506,211
Derivative financial instruments (Note 24)	418,599	22,664
Other noncurrent liabilities (Notes 3 and 15)	584,869	716,960
<b>Total noncurrent liabilities</b>	<b>6,843,130</b>	<b>6,835,899</b>
<b>TOTAL LIABILITIES</b>	<b>8,057,893</b>	<b>8,087,559</b>
<b>EQUITY</b>		
Share capital (Note 16)	182,094	421,543
Additional paid-in capital	215,741	—
Retained earnings	132,676	114,796
Accumulated other comprehensive income (Note 17)	71,884	91,716
Equity attributable to the shareholder	602,395	628,055
Non-controlling interests	656,330	648,966
<b>TOTAL EQUITY</b>	<b>1,258,725</b>	<b>1,277,021</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>9,316,618</b>	<b>9,364,580</b>

<sup>(1)</sup> The figures as at September 30, 2020 have been adjusted to reflect the presentation adopted for the current year (Note 3).

Commitments and guarantees (Note 26)

Contingencies (Note 27)

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)

	2021	2020 <sup>(1)</sup>
<b>OPERATING ACTIVITIES</b>		
Net income	119,046	203,188
Adjustments to reconcile net income and operating cash flows:		
Distributions received from equity-accounted interests	131,371	139,597
Amortization of property, plant and equipment (Note 8)	248,126	243,180
Amortization of regulatory assets and liabilities, intangible assets, financing costs and other (Notes 5, 9 and 14)	61,927	53,488
Use of greenhouse gas emission allowances	126,175	106,637
Share in the earnings of equity-accounted interests	(158,308)	(163,091)
Deferred income taxes (Note 20)	53,319	(34,521)
Change in the fair value of a portfolio investment	—	270,989
Gain realized on the sale of a portfolio investment	—	(263,575)
Change in regulatory assets and liabilities related to the cost of energy	(50,141)	60,935
Change in other regulatory assets and liabilities	(154,629)	(126,436)
Change in other operating assets and liabilities (Note 18)	(46,071)	(13,998)
Repayment of the obligation related to the elimination of spent nuclear fuel	—	(212,600)
Other	28,469	(29,930)
<b>Cash flows related to operating activities</b>	<b>359,284</b>	<b>233,863</b>
<b>INVESTING ACTIVITIES</b>		
Purchases of property, plant and equipment	(329,483)	(634,932)
Disposals of property, plant and equipment	2,735	240
Purchases of intangible assets (Note 9)	(244,655)	(57,433)
Purchases of investment fund units	(4,070)	(882,533)
Disposals of investment fund units	4,073	1,093,221
Purchases of equity-accounted interests and other investments	(19,558)	(12,175)
Sale of a subsidiary, net of disposed cash (Note 23)	288,625	—
Proceeds from the sale of a portfolio investment	—	303,577
Other	18,162	30,246
<b>Cash flows related to investing activities</b>	<b>(284,171)</b>	<b>(159,789)</b>
<b>FINANCING ACTIVITIES</b>		
Change in bank overdraft	2,322	4,059
Change in bank loans (Note 13)	(6,396)	(5,907)
Change in term credit	48,517	20,343
Issuances of other long-term debt, net of issuance costs (Note 14)	76,714	503,628
Repayments of other long-term debt (Note 14)	(212,743)	(138,046)
Capital contributions	338,500	30,565
Capital repayments (Note 23)	(239,449)	—
Dividends	(47,000)	(327,500)
Distributions	(166,938)	(70,615)
<b>Cash flows related to financing activities</b>	<b>(206,473)</b>	<b>16,527</b>
<b>IMPACT OF EXCHANGE RATE FLUCTUATIONS</b>	<b>(6,199)</b>	<b>35</b>
<b>NET CHANGE</b>	<b>(137,559)</b>	<b>90,636</b>
<b>CASH AND CASH EQUIVALENTS AND RESTRICTED CASH AND CASH EQUIVALENTS AT BEGINNING</b>	<b>272,308</b>	<b>181,672</b>
<b>CASH AND CASH EQUIVALENTS AND RESTRICTED CASH AND CASH EQUIVALENTS AT END <sup>(2)</sup></b>	<b>134,749</b>	<b>272,308</b>

<sup>(1)</sup> The figures for September 30, 2020 have been adjusted to reflect the presentation adopted for the current year (Note 3).

<sup>(2)</sup> As at September 30, 2021, the balances consisted of \$46,822 in cash (\$153,682 as at September 30, 2020), \$8 in short-term investments (\$8 as at September 30, 2020) and \$87,919 in restricted cash and cash equivalents (\$118,618 as at September 30, 2020).

Supplemental disclosure of cash flow information (Note 18).

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 and financing vehicle. 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 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 power 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 5.

### COVID-19 pandemic

The global coronavirus pandemic ("COVID-19") continues to evolve. The resulting climate of uncertainty persists and is continuing to have global impacts on businesses, financial markets, public policies, and citizens. The governments of Canada and elsewhere in the world have deployed mitigation and emergency measures, and certain restrictions and health measures remain in effect. The arrival of successive waves of COVID-19 contagion and its new variants could continue to lead to new restrictions being imposed, could cause a reduction in economic activity, and could force governments to continually revise the measures needed to curb the spread as much as possible. The spread of COVID-19 could persist and directly or indirectly disrupt the operations of Énergir Inc.

Énergir Inc. is continually monitoring the situation and is actively contributing to the collective effort to curb the spread of COVID-19. COVID-19 did not have a significant impact on the consolidated financial statements of Énergir Inc. for the fiscal year ended September 30, 2021.

## 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 exemptions from the Canadian Securities Administrators ("CSA") allowing it to apply U.S. GAAP. In March 2018, the CSA approved a five-year extension to the exemption granted in 2015, which had covered fiscal years 2016 to 2018. Énergir Inc. will therefore continue to prepare its annual and interim consolidated financial statements using U.S. GAAP until the first of the following dates: January 1, 2024 or a date that the International Accounting Standards Board 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 currently examining the impact of this exposure draft, for which comments were submitted on July 30, 2021.

### 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 described in Note 11, each of which is 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 10.

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 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 8<sup>th</sup> 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 15<sup>th</sup> 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, 2021, the purchase amount would have been \$47,359 (\$46,009 as at September 30, 2020).

#### **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 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 tangible assets. 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 the existing assets. 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 5.

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

Distribution	8 to 70 years
Production	11 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 developing information technology, 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.

The costs of developing information technology include the costs incurred at the information systems development stage, i.e., those related to direct labour, general expenses, software purchased from external suppliers, as well as the costs of licences and software acquired for internal use. Maintenance and training expenses are recognized, as incurred, in the Operating and maintenance item. The costs of developing information technology are recorded at cost less accumulated amortization. Amortization is calculated using the straight-line method over 1- to 10-year estimated useful lives.

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 30 to 40 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.

#### **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 future disposal 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. If the customer has an alternative energy source, this amount will be amortized over a 5-year period depending on the duration of the contract.

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, which are based on 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 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 fluctuations 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 set prices or to contain them in accordance with temporal, volumetric, and financial limits approved by the respective regulatory agencies. GMP uses 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 reimbursed 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 cease to exist because they have been sold off or liquidated 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 equipment 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 translation exchange gains and losses on the conversion of debts 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.

### **BASIC AND DILUTED NET INCOME PER SHARE**

Basic net income per share is calculated based on the weighted average number of shares outstanding. As at September 30, 2021 and 2020, no instruments had a dilutive effect on basic net income per share.

## **3. ACCOUNTING CHANGES**

### **CHANGE IN ACCOUNTING POLICY**

During fiscal 2021, Énergir Inc. changed its policy for accounting for greenhouse gas ("GHG") emission allowances. After examining new facts, Énergir Inc. concluded that a separate balance sheet presentation of acquired allowances and of the obligations related to the remittance of GHG emission allowances better reflects the economic reality of the transactions.

Previously, long-term GHG emission allowances had been recognized in Intangible assets at cost less accumulated amortization. Amortization was recognized at the GHG emission rate. Following this change in accounting policy, all acquired GHG emission allowances are recognized as Intangible assets at cost and are not amortized. An obligation related to the GHG emission allowances as well as the related expense is recognized at the GHG emission rate. For additional information, refer to Note 2.

This change in accounting policy has been applied retrospectively and resulted in the following accounting treatments: a presentation of intangible assets on a gross basis of \$340,659 as at September 30, 2020 and the recognition of a \$304,139 current liability as at September 30, 2020 in the Obligations related to greenhouse gas emission allowances item. The change did not have an impact on the consolidated statement of income.

## **RECENTLY ADOPTED STANDARDS**

### **Intangible assets**

On October 1, 2020, Énergir Inc. prospectively adopted ASU 2018-15, *Intangibles – Goodwill and Other – Internal-Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract*. The amendments set out in this update align the requirements for capitalizing implementation costs incurred in a hosting arrangement with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software. Adoption of this new guidance did not have a significant impact on Énergir Inc.'s consolidated financial statements.

### **Income taxes**

On September 30, 2021, Énergir Inc. prospectively adopted ASU 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes*. This update provides guidance on reducing complexity in certain areas of income tax accounting. Adoption of this new guidance did not have a significant impact on Énergir Inc.'s consolidated financial statements.

### **Reference rate reform**

On March 31, 2021, Énergir Inc. prospectively adopted ASU 2020-04, *Facilitation of the Effects of Reference Rate Reform on Financial Reporting*. The amendments in ASU 2020-04 provide time-limited optional guidance aimed at easing the potential burden when accounting for (or recognizing the effects of) reference rate reform on financial reporting. The amendments are optional and apply to contracts, hedging relationships, and other transactions that reference the London Interbank Offered Rate or other reference rates expected to be discontinued as part of the reference rate reform. Adoption of this new guidance did not have a significant impact on Énergir Inc.'s consolidated financial statements.

In January 2021, the Financial Accounting Standards Board ("FASB") issued ASU 2021-01, *Reference Rate Reform: Scope*. This update clarifies that the optional relief of ASC 848 – *Reference Rate Reform* related to contract modifications and to hedge accounting also applies to derivatives that use a reference interest rate when calculating price margins, discounting, or aligning the prices of contracts modified following the reform. The prospective adoption of this new guidance did not have a significant impact on Énergir Inc.'s consolidated financial statements.

## **STANDARDS ISSUED BUT NOT YET IN EFFECT**

### **Equity-classified written call options**

In May 2021, FASB issued ASU 2021-04 *Issuer's Accounting for Certain Modifications or Exchanges of Freestanding Equity-Classified Written Call Options*. This ASU clarifies when a modification to, or exchange of, written call options are to be recognized as an adjustment to equity and when they are to be recognized as an expense. This guidance will be applied prospectively to interim and annual financial statements starting with the fiscal year beginning October 1, 2022. Early adoption is also permitted. Énergir Inc. does not expect the adoption of this new guidance to have a significant impact on its consolidated financial statements.

**4. REVENUES**

	Fiscal years ended September 30	
	2021	2020
Revenues from customers	2,436,947	2,570,248
Dividends	—	15,814
Alternative revenue programs <sup>(1)</sup>	14,287	16,281
Amortization of commercial programs	(16,994)	(17,245)
	2,434,240	2,585,098

<sup>(1)</sup> 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 5.

As at September 30, 2021, the Other noncurrent assets item included an amount of \$87,626 (\$86,109 as at September 30, 2020) to reflect amounts paid under commercial programs.

**5. 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 2021 and 2020 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 2020 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.

The following table summarizes the regulatory framework applicable to each of these subsidiaries for the fiscal years ended September 30, 2021 and 2020:

	2021		2020	
	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	49.9	8.20	49.5	9.06
VGS	50.0	8.65	50.0	9.20

## REGULATORY ASSETS AND LIABILITIES

The following table presents the net carrying amounts of the RAL as at September 30, 2021 and 2020:

	Remaining recovery/ settlement period (years)	2021	2020
<b>Regulatory assets <sup>(1)</sup></b>			
Rate stabilization and related accounts (a)	1 to 3	36,122	33,512
Charges related to the cost of energy (b)	1	70,218	45,910
Charges related to financial instruments (c)	2 to 31	418,599	25,352
Charges related to energy efficiency funds and programs (d)	1 to 10	91,476	70,491
Charges related to employee future benefits (e)	Indeterminable	326,937	546,011
Site decontamination and dismantling costs in the United States (f)	1 to 20	10,177	11,289
Charges related to mechanisms for sharing profits and losses (g)	1 to 3	65,141	52,232
Charges related to income taxes (h)	Indeterminable	56,685	53,945
Charges related to storms (i)	1	10,203	20,644
Charges related to deferred taxes following the U.S. tax reform (j)	Indeterminable	5,438	5,714
Other	Indeterminable	47,265	37,862
		<u>1,138,261</u>	<u>902,962</u>
<b>Portions presented on the balance sheet:</b>			
Current		152,282	136,916
Noncurrent		985,979	766,046
		<u>1,138,261</u>	<u>902,962</u>
<b>Regulatory liabilities <sup>(2)</sup></b>			
Rate stabilization and related accounts (a)	1 to 2	3,609	27,117
Credits related to the cost of energy (b)	1	23,980	68,630
Credits related to financial instruments (c)	1 to 17	234,976	3,843
Credits related to energy efficiency funds and programs (d)	1 to 10	1,946	1,519
Credits related to mechanisms for sharing profits and losses (g)	1 to 2	2,043	42,128
Credits related to income taxes (h)	1	4,675	6,037
Credits related to deferred taxes following the U.S. tax reform (j)	33 to 38 years	203,637	216,840
Credits related to the System Expansion and Reliability Fund (k)	Indeterminable	9,936	17,620
Future costs of retiring property, plant and equipment (l)	Indeterminable	470,752	434,100
Credits related to adjustments to the cost of energy, storm charges, and the revenue decoupling mechanism, net (m)	Indeterminable	4,815	—
Other	Indeterminable	8,492	11,780
		<u>968,861</u>	<u>829,614</u>
<b>Portions presented on the balance sheet:</b>			
Current		192,744	165,334
Noncurrent		776,117	664,280
		<u>968,861</u>	<u>829,614</u>

<sup>(1)</sup> The amortization of regulatory assets is \$21,582 (\$12,944 in 2020).

<sup>(2)</sup> The amortization of regulatory liabilities is \$2,671 (\$3,273 in 2020).

- (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.

QDA and GMP also apply a revenue decoupling mechanism that will return to customers all variances between authorized required revenue and normalized actual revenue in order to offset the effects of variations in economic conditions on operations.

- (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 24 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 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 initial application 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 19 provides additional information about the composition of these RAL.

- (f) As at September 30, 2021, the RAL related to site decontamination and dismantling costs in the United States consisted of \$6,236 in costs already incurred (\$7,148 in 2020) and \$3,941 in estimated future disbursements (\$4,141 in 2020) 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.
- (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 exogenous events that affect GMP's network and that exceed the US\$1,200 annual amount authorized by the VPUC (US\$1,200 in 2020).
- (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) 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

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little or no impact on rates. As agreed with the VPUC, VGS stopped collecting the amounts during fiscal 2019. These funds were deposited in an equivalent restricted cash account. If no network expansion takes place, or at the VPUC's request, the amounts would be returned to customers. As an offsetting entry to this regulatory liability, restricted cash equivalents were recognized on the consolidated balance sheets as at September 30, 2021 and 2020, totalling \$10,311 and \$18,813, respectively.

(l) 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.

(m) As of fiscal 2021, the VPUC authorized GMP to offset RAL arising from the cost of energy, from storm charges, and from 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.

**6. TRADE AND OTHER RECEIVABLES**

	2021	2020
Trade accounts receivable (Note 25)	<b>216,173</b>	223,714
Grants receivable (Note 18)	—	15,800
Amount receivable from non-controlling partners (Note 18)	<b>2,746</b>	2,183
Other receivables	<b>6,348</b>	10,048
	<b>225,267</b>	251,745

**7. INVENTORIES**

	2021	2020
Natural gas	<b>86,964</b>	51,683
Supplies and materials	<b>37,944</b>	35,858
	<b>124,908</b>	87,541

**8. PROPERTY, PLANT AND EQUIPMENT**

	2021			
	Cost	Accumulated amortization	Construction in progress	Total
Distribution	<b>4,765,852</b>	<b>1,690,716</b>	<b>99,628</b>	<b>3,174,764</b>
Production	<b>807,819</b>	<b>245,931</b>	<b>14,340</b>	<b>576,228</b>
Transportation	<b>627,658</b>	<b>39,541</b>	<b>19,413</b>	<b>607,530</b>
Storage	<b>57,173</b>	<b>17,669</b>	<b>15,360</b>	<b>54,864</b>
Energy services	<b>256,000</b>	<b>107,368</b>	<b>6,463</b>	<b>155,095</b>
General plant	<b>532,846</b>	<b>209,667</b>	<b>16,631</b>	<b>339,810</b>
	<b>7,047,348</b>	<b>2,310,892</b>	<b>171,835</b>	<b>4,908,291</b>
	2020			
	Cost	Accumulated amortization	Construction in progress	Total
Distribution	4,633,936	1,619,739	118,388	3,132,585
Production	1,152,160	245,095	260,882	1,167,947
Transportation	608,082	35,370	19,629	592,341
Storage	49,116	17,822	10,065	41,359
Energy services	246,044	84,628	7,629	169,045
General plant	522,742	192,688	25,887	355,941
	7,212,080	2,195,342	442,480	5,459,218

**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, the assets used to generate and transmit power from a thermal power station, and leased natural gas and electric appliances.

**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, 2021 and 2020, stood at \$53,276 and \$53,760, 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.

Énergir Inc. owns appliances that it leases under operating leases. The cost and accumulated amortization of these leased appliances stood at \$98,808 and \$68,372, respectively, as at September 30, 2021 compared to \$94,023 and \$50,369 as at September 30, 2020. Revenues from these operating leases totalled \$11,582 and \$10,885 for fiscal years 2021 and 2020, respectively.

Amortization expense stood at \$248,126 in 2021 compared to \$243,180 in 2020 and included an amount of \$17,416 related to the accelerated amortization of certain assets in the Energy Services, Storage and Other segment (nil in 2020).

During fiscal 2021, interest in the amount of \$1,775 (\$3,599 in 2020) was capitalized to the construction-in-progress projects of certain rate-regulated activities.

**JOINTLY CONTROLLED ASSETS**

The following table presents summary financial information on the ownership interest level in each of the jointly controlled assets as at September 30, 2021 and 2020, which are included mainly in distribution and production assets:

	<b>2021</b>			
	<b>Economic interest (in %)</b>	<b>Proportionate share of capacity (in MWh)</b>	<b>Proportionate share of assets</b>	<b>Proportionate share of accumulated amortization</b>
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 <sup>(1)</sup>	59.4	—	1,982	1,982
Millstone Unit #3	1.7	21.4	108,807	66,929
				<b>2020</b>
	<b>Economic interest (in %)</b>	<b>Proportionate share of capacity (in MWh)</b>	<b>Proportionate share of assets</b>	<b>Proportionate share of accumulated amortization</b>
Joseph C. McNeil	31.0	16.7	41,204	38,962
Wyman #4	2.9	17.6	8,494	8,494
Stony Brook #1	8.8	31.0	16,310	15,606
Metallic Neutral Return <sup>(1)</sup>	59.4	—	2,082	2,082
Millstone Unit #3	1.7	21.4	112,792	68,901

<sup>(1)</sup> Metallic Neutral Return is a neutral conductor for an electricity interconnection.

**9. INTANGIBLE ASSETS**

	<b>2021</b>		
	<b>Cost</b>	<b>Accumulated amortization</b>	<b>Net carrying amount</b>
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
	<b>844,068</b>	<b>159,842</b>	<b>684,226</b>
			<b>2020</b>
	<b>Cost</b>	<b>Accumulated amortization</b>	<b>Net carrying amount</b>
GHG emission allowances	340,659	—	340,659
Development of information technology	281,128	179,757	101,371
Rights and licences	22,260	9,630	12,630
Customer relationships and other	12,544	1,881	10,663
	<b>656,591</b>	<b>191,268</b>	<b>465,323</b>

Capitalized intangible assets totalled \$244,655 in 2021 and \$57,433 in 2020. Of this 2021 amount, \$216,961 relates to assets acquired and \$27,694 relates to internally generated assets (\$27,911 and \$29,522, respectively, in 2020).

The amortization expense on intangible assets was \$25,075 in 2021 and \$25,226 in 2020.

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

2022	25,846
2023	22,674
2024	18,881
2025	16,666
2026	12,831

**10. INVESTMENTS**

	Economic interest (in %)	<b>2021</b>	2020
<b>Énergir, L.P.</b>			
<b>Equity-accounted interests</b>			
Interests in joint ventures			
Trans Québec & Maritimes Pipeline Inc. ("TQM")	50.0	<b>127,422</b>	96,368
Intragaz Group ("Intragaz")	40.0 to 60.0	<b>79,785</b>	76,152
SDB Wind Farms <sup>(1)</sup>	50.0	<b>12,935</b>	(3,946)
Other		<b>2,701</b>	3,298
		<b>222,843</b>	171,872
Interests in entities subject to significant influence			
Portland Natural Gas Transmission System ("PNGTS")	38.3	<b>122,965</b>	131,268
Vermont Transco LLC ("Transco") (77.0% in 2020) (a)	76.8	<b>811,562</b>	842,582
Vermont Electric Power Company, Inc.	38.8	<b>12,235</b>	12,871
Other		<b>3,364</b>	3,614
		<b>950,126</b>	990,335
Total equity-accounted interests		<b>1,172,969</b>	1,162,207
Other investments			
Surrender value of life insurance policies <sup>(2)</sup>		<b>29,384</b>	24,941
		<b>33,573</b>	36,367
		<b>1,235,926</b>	1,223,515
<b>Balance sheet presentation</b>			
Investments		<b>1,235,926</b>	1,227,461
Other noncurrent liabilities		<b>—</b>	(3,946)
		<b>1,235,926</b>	1,223,515

<sup>(1)</sup> 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.

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

**INTERESTS IN JOINT VENTURES AND ENTITIES SUBJECT TO SIGNIFICANT INFLUENCE**

(a) GMP holds variable interests in Transco (refer to Note 11). During fiscal 2021, GMP sold Transco units totalling \$2,421 (US\$1,903), reducing its interest from 77.0% to 76.8%. During fiscal 2020, GMP had invested a capital amount of \$10,574 (US\$7,939) in Transco.

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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	
	2021	2020
<b>Statement of income</b>		
Revenues	654,048	635,709
Net income	264,367	255,526
<b>Balance sheet</b>		
Current assets	221,931	185,953
Noncurrent assets	3,903,349	3,555,534
Current liabilities	488,824	276,319
Noncurrent liabilities	1,895,780	1,762,056

## 11. 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. In May 2016, a contribution-of-capital agreement was signed with an investor whereby the investor was to finance a US\$20,264 portion of the solar farms. The US\$41,990 balance of the project was financed by GMP.

##### 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 July 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.:

	2021	2020 <sup>(1)</sup>
Net income (loss)	1,775	(1,279)
Allocation of net income (loss) between the partners <sup>(2)</sup> :		
Énergir Inc.	794	16,238
Investors	981	(17,517)
Assets <sup>(3)</sup>	132,851	324,517
Liabilities <sup>(4)</sup>	13,291	93,196

<sup>(1)</sup> The fiscal 2020 figures included amounts related to Standard Solar Inc. ("Standard Solar"). Refer to Note 23.

<sup>(2)</sup> The disproportionate allocation of net income (loss) 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.

<sup>(3)</sup> The assets consist mainly of property, plant and equipment.

<sup>(4)</sup> 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\$640,034 as at September 30, 2021 (US\$632,616 as at September 30, 2020).

**12. GOODWILL**

	2021	2020
Balance at beginning	512,951	510,483
Disposal (Note 23)	(16,844)	—
Translation adjustment	(19,449)	2,468
Balance at end	476,658	512,951

No provision for goodwill impairment was required for fiscal years 2021 and 2020.

**13. BANK LOANS**

	Maximum authorized amounts	Weighted interest rate (in %)	Maturity	2021	2020
Énergir, L.P. (a)	50,000	—	—	—	—
United States (2.80% in 2020) (b)	69,740	0.66	2023	41,099	101,542
Other (1.78% in 2020)	—	—	—	—	1,499
	119,740			41,099	103,041

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

(b) In June 2020, VGS entered into a credit agreement for a maximum amount of \$69,740 (US\$55,000) that expires in June 2023. This facility bears interest at a floating rate based on LIBOR plus 0.58%. As at September 30, 2021, an amount of \$41,099 (US\$32,412) had been used.

In January 2021, Northern New England Energy Corporation's ("NNEEC") credit facility for a maximum authorized amount of \$66,595 (US\$50,000) expired and was not renewed.

In April 2021, GMP's credit facility totalling \$61,435 (US\$50,000) expired and in May 2021 was replaced by a new credit facility totalling \$43,395 (US\$35,000) and bearing interest at a floating rate equal to LIBOR plus 0.75%. This facility was terminated in August 2021.

**14. LONG-TERM DEBT**

	Weighted interest rate (in %)	Maturity	2021	2020
<b>Énergir Inc.</b>				
Subordinated debentures of the shareholder (6.14% in 2020) (a)	5.55	2052	<u>892,798</u>	<u>892,798</u>
<b>Énergir, L.P.</b>				
First mortgage bonds (4.69% in 2020) (b)	4.60	2025 to 2047	<u>1,275,000</u>	1,425,000
Secured senior notes (US\$560,000) (4.12% in 2020) (b)	4.12	2022 to 2048	<u>710,080</u>	745,864
Secured term credit (0.22% in 2020) (b), (e)	0.21	2026	<u>427,443</u>	365,645
			<u>2,412,523</u>	<u>2,536,509</u>
<b>U.S. subsidiaries</b>				
First mortgage bonds (US\$791,500 in 2021 and US\$779,500 in 2020) (4.74% in 2020) (c)	4.56	2022 to 2050	<u>1,003,622</u>	1,038,216
Unsecured senior notes (US\$217,000 in 2021 and US\$218,000 in 2020) (4.78% in 2020)	4.77	2022 to 2046	<u>275,156</u>	290,354
Secured senior term loans (US\$76,090 in 2020) (4.39% in 2020) <sup>(1)</sup>	—	—	—	101,345
Unsecured term credit (US\$123,243 in 2021 and US\$141,906 in 2020) (0.83% in 2020) (c), (e)	0.74	2024	<u>156,272</u>	189,005
			<u>1,435,050</u>	<u>1,618,920</u>
<b>Other</b>				
Secured term credit (2.36% in 2020) (d), (e)	2.26	2023 to 2025	<u>12,454</u>	12,530
			<u>4,752,825</u>	<u>5,060,757</u>
<b>Leaseback obligations <sup>(1)</sup></b>			<b>618</b>	86,302
<b>Financing costs, net of amortization</b>			<b>(15,965)</b>	(21,690)
			<u>4,737,478</u>	5,125,369
<b>Current portion</b>			<b>239,782</b>	199,585
			<u>4,497,696</u>	<u>4,925,784</u>

<sup>(1)</sup> The balances as at September 30, 2020 included amounts related to Standard Solar (refer to Note 23).

**CAPITAL REPAYMENTS**

Capital repayments required over the coming years to meet maturities and sinking fund requirements are as follows for the long-term debt, excluding leaseback obligations:

2022	239,652
2023	2,251
2024	179,730
2025	239,538
2026	428,712
Thereafter	3,662,942

Minimum annual payments of principal according to leaseback obligations are as follows:

2022	130
2023	133
2024	135
2025	138
2026	82
Thereafter	—

- (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 repayment 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) For the first mortgage bonds, the secured senior notes, and the \$800,000 authorized term credit, Énergir Inc. acted as a borrower on the market and simultaneously lent the proceeds to Énergir, L.P. under similar terms and conditions.

The first mortgage bonds are secured by Énergir, L.P. under trust deeds. The \$800,000 authorized term credit and the secured senior notes are guaranteed by Énergir, L.P. under governing agreements. The first mortgage bonds, secured senior notes, and the term credit 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 Énergir Inc.'s option according to the terms and conditions of the trust deeds. Pursuant to agreements between Énergir Inc. and Énergir, L.P. regarding the various series of bonds, Énergir, L.P. has agreed to make the related 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 trust deeds and other agreements on long-term debt 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 under the terms of the trust deeds and other agreements governing Énergir, L.P.'s long-term debt stood at 51.9% as at September 30, 2021 and at 54.4% as at September 30, 2020.

On the basis of Énergir, L.P.'s non-consolidated financial statements, the long-term debt interest coverage ratios were 3.03 times and 3.36 times for the fiscal years ended September 30, 2021 and 2020, 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, 2021 and 2020, Énergir, L.P.'s assets used for such activities accounted for 2.12% and 8.14%, respectively, of its total non-consolidated assets. Furthermore, with respect to non-energy-related activities, Énergir, L.P.'s interests in such activities may not exceed 5% of its total non-consolidated assets. As at September 30, 2021 and 2020, Énergir, L.P. had no interests in such activities.

In April 2020, Énergir Inc. issued, by way of private placement, first mortgage bonds in an aggregate principal amount of \$300,000. These bonds bear interest at an annual rate of 2.10% and mature in April 2027. The gross proceeds were loaned to Énergir, L.P. under similar terms and conditions.

In May 2020, Énergir Inc. repaid a series of first mortgage bonds in an amount of \$100,000.

In June 2021, Énergir Inc. extended the expiry date of its credit facility to June 2026. The terms and conditions of the original credit agreement did not change. Amounts borrowed under this credit agreement are loaned to Énergir, L.P. under similar conditions.

In July 2021, Énergir Inc. repaid a series of first mortgage bonds in an amount of \$150,000.

A portion of the term credit was in U.S. dollars, i.e., an amount of \$63,527 (US\$50,100) as at September 30, 2021 and an amount of \$193,695 (US\$145,427) as at September 30, 2020.

- (c) In December 2019, GMP issued first mortgage bonds for an aggregate principal amount of \$52,000 (US\$40,000), i.e., one series of \$19,500 (US\$15,000) and one series of \$32,500 (US\$25,000). These series of bonds will mature in December 2034 and December 2049, respectively, and bear interest at annual rates of 3.01% and 3.53%, respectively.

In September 2020, GMP repaid a series of first mortgage bonds in an amount of \$11,987 (US\$9,000).

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 will 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 the 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 August 2021, GMP entered into a new credit facility agreement of \$220,500 (US\$175,000), expiring in August 2024, that has an accordion feature of \$31,500 (US\$25,000). This facility replaces the facility of \$189,000 (US\$150,000) entered into in November 2019.

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 include restrictions on the payment of dividends by GMP. Under the most restrictive of these covenants, approximately \$369,742 (US\$292,427) in retained earnings was unrestricted as at September 30, 2021 compared to \$363,127 (US\$269,903) as at September 30, 2020. 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.

- (d) The maximum authorized amount of the term credit facilities secured by first ranking hypothecs of the other Énergir Inc. subsidiaries is \$48,250.
- (e) The term credit facilities bear interest at rates based on the bankers' acceptance rate, prime rate, or LIBOR, 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, 2021 and 2020, Énergir Inc. and its subsidiaries were in compliance with all of the requirements of the various trust deeds and term credit agreements governing long-term debt.

Financial and other expenses included the amortization of financing costs in the amount of \$1,760 and of \$1,834 for fiscal years 2021 and 2020, respectively.

**15. OTHER NONCURRENT LIABILITIES**

	<b>2021</b>	2020
Liabilities related to DBP plans (Note 19)	<b>192,106</b>	374,062
Liabilities related to PRB plans (Note 19)	<b>178,542</b>	190,493
Deferred compensation liabilities of GMP and VGS	<b>10,152</b>	10,369
Customer deposits	<b>23,872</b>	28,589
Operating lease obligations <sup>(1)</sup>	<b>14,586</b>	44,805
Obligations related to greenhouse gas emission allowances (Note 3)	<b>92,930</b>	—
Other	<b>72,681</b>	68,642
	<b>584,869</b>	716,960

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

**16. 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**

	<b>2021</b>	2020
Number of common shares as at September 30 (in thousands of common shares)	<b>2,977</b>	2,977

**17. 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, 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>

  

	Translation adjustments	Net investment hedges	Cash flow hedges	Employee future benefits	Equity- accounted interests	Total
Balance as at September 30, 2019	201,596	(86,719)	(11,788)	(5,713)	(5,695)	91,681
Other comprehensive income (loss) before reclassifications to income	7,597	(3,167)	(2,791)	(3,078)	(5,655)	(7,094)
Income taxes	—	1,401	1,401	816	1,344	4,962
Other comprehensive income reclassified to income	—	—	755	317	1,876	2,948
Income taxes (recovered)	—	—	(200)	(84)	(497)	(781)
	<u>7,597</u>	<u>(1,766)</u>	<u>(835)</u>	<u>(2,029)</u>	<u>(2,932)</u>	<u>35</u>
Balance as at September 30, 2020	<u>209,193</u>	<u>(88,485)</u>	<u>(12,623)</u>	<u>(7,742)</u>	<u>(8,627)</u>	<u>91,716</u>

**18. SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION**

	Fiscal years ended September 30	
	2021	2020
Change in other operating assets and liabilities:		
Trade and other receivables	(4,788)	(23,938)
Inventories	(38,621)	1,948
Prepaid expenses	(3,072)	(13,654)
Accounts payable and accrued liabilities	17,220	(3,912)
Income taxes payable and receivable	(16,810)	25,558
	(46,071)	(13,998)
Other cash information:		
Dividends received from Enbridge Inc.	—	15,814
Interest paid	206,644	224,895
Income taxes paid (recovered)	25,476	(1,847)

As at September 30, 2020, trade and other receivables included an amount of \$15,800 (nil in 2021) related to grants receivable for the purchase of property, plant and equipment. As at September 30, 2021, trade and other receivables also included an amount of \$2,746 related to an amount receivable from non-controlling partners for their capital contribution (\$2,183 as at September 30, 2020). Accounts payable and accrued liabilities included an amount of \$29,727 as at September 30, 2021 related to the purchase of property, plant and equipment (\$83,708 as at September 30, 2020). These transactions have no impact on cash and are therefore not reflected in the consolidated statements of cash flows.

**19. 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 defined contribution pension plans, employer contributions are based on employee contributions. The cost recognized for defined contribution pension plans was \$4,252 for the fiscal year ended September 30, 2021 and \$4,443 for the fiscal year ended September 30, 2020.

Defined benefit pension plans are funded plans, which ensures that employees will receive pension benefits determined according to length of service and salaries during their highest earning years.

The dates of the most recent actuarial valuations and 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, 2018	December 31, 2021
Gaz Métro Plus	December 31, 2018	December 31, 2021
GMP	January 1, 2021	January 1, 2022
VGS	January 1, 2021	January 1, 2022

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, 2021 and 2020:

	2021	2020	2021	2020
	DBP plans	DBP plans	PRB plans	PRB plans
<b>Change in projected benefit obligations</b>				
Balance at beginning	1,488,809	1,413,613	247,733	207,711
Current service cost	42,137	44,515	9,468	6,800
Interest cost	33,092	39,603	5,887	5,916
Employee contributions	7,499	7,210	1,361	1,337
Other contributions and employee transfers	4,257	3,500	230	—
Benefits paid	(82,603)	(62,516)	(6,856)	(7,479)
Actuarial losses (gains)	(98,006)	42,135	(26,432)	33,121
Impact of exchange rate fluctuations	(20,461)	749	(2,759)	327
Balance at end	<u>1,374,724</u>	<u>1,488,809</u>	<u>228,632</u>	<u>247,733</u>
<b>Change in plan assets, at fair value</b>				
Balance at beginning	1,114,747	1,068,950	64,759	61,233
Actual return on plan assets	124,286	38,027	8,525	5,468
Employer contributions	29,479	59,825	3,769	3,871
Employee contributions	7,499	7,210	1,361	1,337
Other contributions and employee transfers	4,257	3,500	—	—
Benefits paid	(82,603)	(62,516)	(6,856)	(7,479)
Impact of exchange rate fluctuations	(15,047)	(249)	(3,087)	329
Balance at end	<u>1,182,618</u>	<u>1,114,747</u>	<u>68,471</u>	<u>64,759</u>
<b>Funded status - Plan deficit</b>	<u>(192,106)</u>	<u>(374,062)</u>	<u>(160,161)</u>	<u>(182,974)</u>
<b>Presented as follows:</b>				
Other noncurrent assets	—	—	18,381	7,519
Other noncurrent liabilities	(192,106)	(374,062)	(178,542)	(190,493)
	<u>(192,106)</u>	<u>(374,062)</u>	<u>(160,161)</u>	<u>(182,974)</u>

**PLAN ASSETS**

The following table shows the allocation of plan assets as at September 30, 2021 and 2020:

Asset categories	Target allocation (in %)	Percentage of plan assets (in %)	
		2021	2020
Fixed-income securities	41.0	36.5	42.3
Equity securities	59.0	63.5	57.7
	<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 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.

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(in thousands of dollars)

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, 2021				
	Level 1	Level 2	Level 3	Net asset value	Total
<b>Asset categories</b>					
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 <sup>(1)</sup>	(5,040)	—	—	—	(5,040)
	<b>260,694</b>	<b>795,662</b>	<b>—</b>	<b>194,733</b>	<b>1,251,089</b>
	September 30, 2020				
	Level 1	Level 2	Level 3	Net asset value	Total
<b>Asset categories</b>					
Cash and cash equivalents	36,633	—	—	—	36,633
Equity investments	72,196	18,188	—	—	90,384
Bond investments	95,817	108,543	—	—	204,360
Mutual fund units	80,600	570,880	—	203,399	854,879
Other <sup>(1)</sup>	(6,750)	—	—	—	(6,750)
	<b>278,496</b>	<b>697,611</b>	<b>—</b>	<b>203,399</b>	<b>1,179,506</b>

<sup>(1)</sup> The Other asset category comprises amounts receivable of \$2,948 (\$3,252 in 2020) and expenses payable of \$7,988 (\$10,002 in 2020) 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			
	2021	2020	2021	2020
	DBP plans	DBP plans	PRB plans	PRB plans
Current service cost	42,137	44,515	9,468	6,800
Interest cost	33,092	39,603	5,887	5,916
Expected return on plan assets	(62,764)	(63,054)	(4,000)	(4,044)
Amortization of net actuarial losses	27,534	26,917	3,936	2,038
Amortization of past service costs	138	299	163	163
Net cost	<b>40,137</b>	<b>48,280</b>	<b>15,454</b>	<b>10,873</b>
Representing:				
Unrecognized cost of QDA <sup>(1)</sup>	4,586	18,612	4,868	2,854
Recognized cost	<b>35,551</b>	<b>29,668</b>	<b>10,586</b>	<b>8,019</b>

<sup>(1)</sup> The unrecognized cost 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 5).

**PRESENTATION OF THE RECOGNIZED COST ON THE CONSOLIDATED STATEMENTS OF INCOME**

	Fiscal years ended September 30			
	2021	2020	2021	2020
	DBP plans	DBP plans	PRB plans	PRB plans
Operating and maintenance	40,879	33,130	6,907	5,769
Financial and other expenses	(5,328)	(3,462)	3,679	2,250
Recognized cost	35,551	29,668	10,586	8,019

**COMPONENTS OF ACCUMULATED OTHER COMPREHENSIVE LOSS**

	Fiscal years ended September 30			
	2021	2020	2021	2020
	DBP plans	DBP plans	PRB plans	PRB plans
Balance at beginning	(6,633)	(5,101)	(1,109)	(612)
Net actuarial gains (losses) during the year	4,206	(2,386)	702	(692)
Amortization of net actuarial losses	266	287	92	30
Income taxes (recovered)	(1,196)	567	(200)	165
Change in other comprehensive income (loss)	3,276	(1,532)	594	(497)
Balance at end	(3,357)	(6,633)	(515)	(1,109)

**COMPONENTS OF NET REGULATORY ASSETS RELATED TO EMPLOYEE FUTURE BENEFITS <sup>(1)</sup>**

	Fiscal years ended September 30			
	2021	2020	2021	2020
	DBP plans	DBP plans	PRB plans	PRB plans
Net actuarial losses	207,487	402,119	21,492	54,651
Past service cost	—	138	856	1,019
Initial application of U.S. GAAP	(38,603)	(41,176)	65,189	69,535
Business acquisition	33,657	37,657	5,468	5,949
Budget variances	23,947	34,326	7,444	(18,207)
Total net regulatory assets	226,488	433,064	100,449	112,947

<sup>(1)</sup> For additional information on these RAL, refer to Note 5.

**CASH FLOWS**

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

	DBP plans	PRB plans
<b>Expected employer contributions during the year:</b>		
2022	20,186	4,691
<b>Expected benefit payments:</b>		
2022	56,730	2,748
2023	58,012	2,779
2024	58,171	2,830
2025	59,035	2,875
2026	62,467	2,895
2027-2031	303,555	14,644

**MAIN ACTUARIAL ASSUMPTIONS**

	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
	<b>DBP plans</b> (in %)	DBP plans (in %)	<b>PRB plans</b> (in %)	PRB plans (in %)
<b>Projected benefit obligations at the measurement date</b>				
Discount rate	<b>3.21</b>	2.76	<b>3.29</b>	2.92
Rate of compensation increase	<b>2.75</b>	2.75	<b>2.75</b>	2.75
<b>Benefit cost for the 12-month period ended at the measurement date</b>				
Discount rate	<b>2.99</b>	3.09	<b>3.04</b>	3.09
Expected long-term rate of return on plan assets	<b>5.85</b>	6.08	<b>6.65</b>	6.65
Rate of compensation increase	<b>2.88</b>	2.89	<b>2.75</b>	2.75

The assumed health care cost trend rates used to project costs for fiscal 2022 for certain PRB plans are 5.4% for QDA and 6.5% for GMP. These rates decline gradually to 3.7% in 2041 for QDA and to 5.0% in 2029 for GMP, and remain at those levels thereafter.

**20. INCOME TAXES**

	<u>2021</u>	<u>2020</u>
Income before income taxes	<b>180,548</b>	192,379
Current income taxes	<b>8,183</b>	23,712
Deferred income taxes	<b>53,319</b>	(34,521)
Income taxes (recovered)	<b>61,502</b>	(10,809)

### 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:

	<b>2021</b>	2020
Income before income taxes	<b>180,548</b>	192,379
Statutory income tax rate (in %)	<b>26.5</b>	26.5
Income taxes at statutory rate	<b>47,845</b>	50,980
Increase (decrease) attributable to the following:		
Portion of income from limited partnerships that is taxable to the non-controlling partner	<b>(7,589)</b>	(4,011)
Tax rate variance between jurisdictions	<b>2,668</b>	1,360
Tax rate variance on investment income and gain on the investment in Enbridge Inc.	<b>(68)</b>	(39,811)
Deferred income taxes related to rate-regulated activities	<b>(2,894)</b>	(2,701)
Non-taxable dividends	<b>—</b>	(4,196)
Valuation allowance (b)	<b>17,624</b>	—
Gain on disposal of Standard Solar	<b>4,740</b>	—
Tax credits	<b>(5,751)</b>	(9,825)
Impact of U.S. tax reform (a)	<b>(2,303)</b>	(2,250)
Withholding tax on dividends	<b>2,212</b>	—
Deferred income taxes related to the outside-basis difference on the interest in Énergir, L.P.	<b>673</b>	472
Taxes related to the foreign exchange impact on a transaction between entities under common control	<b>1,352</b>	—
Net impact of non-taxable and other items	<b>2,993</b>	(827)
Income taxes (recovered)	<b>61,502</b>	(10,809)
Effective income tax rate (in %)	<b>34.1</b>	(5.6)

(a) The impacts of the U.S. tax reform on Énergir Inc.'s consolidated financial statement are mainly attributable to the deferred income taxes related to the portion not included in rate-setting as well as from the downward remeasurement of deferred tax assets on non-capital loss carryforwards unrelated to rate-regulated activities.

(b) Refer to the Components of Deferred Income Taxes section below.

### COMPONENTS OF DEFERRED INCOME TAXES

	<b>2021</b>	2020
Non-deductible allowances	<b>26,298</b>	24,213
Non-capital losses and tax credit carryforwards	<b>117,016</b>	175,858
Regulatory assets and liabilities	<b>24,079</b>	29,491
Property, plant and equipment and intangible assets	<b>(375,702)</b>	(389,524)
Employee future benefits	<b>1,018</b>	(3,909)
Derivative financial instruments	<b>23,746</b>	29,952
Investments	<b>(366,583)</b>	(372,605)
Other	<b>1,903</b>	313
	<b>(548,225)</b>	(506,211)
Valuation allowance (a)	<b>(17,624)</b>	—
Net deferred income tax liability	<b>(565,849)</b>	(506,211)

(a) As at September 30, 2021, a valuation allowance of \$17,624 was recognized (nil in 2020) with respect to a deferred tax asset on unrealized exchange losses on U.S.-dollar-denominated debt. Previously, it was more likely than not that Énergir Inc. would be able to use the capital losses in the future.

Other deferred tax assets consist mainly of non-capital loss carryforwards that were realized by Énergir Inc.'s subsidiaries. The subsidiaries have deemed it more likely than not that they will be able to use their non-capital losses of \$266,218 before they expire, i.e., between 2033 and 2040, factoring in reversals of taxable temporary differences and future taxable income.

## **21. 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 and, up to October 1, 2020, the activities related to Standard Solar's solar power projects (refer to Note 23).

**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, to electric power generation and transmission from a thermal power plant, as well as to the sale, leasing, and maintenance of natural gas appliances. 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.

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	Energy Distribution			Natural Gas Transportation <sup>(1)</sup>	Electricity Production	Energy Services, Storage and Other	Corporate Affairs	Total
	QDA	Vermont <sup>(1)</sup>	Total					
	Revenues from external customers	1,304,719	1,064,351					
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	277,064	224,484	501,548	1,694	382	28,716	17,379	549,719
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

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

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	Energy Distribution			Natural Gas Transportation <sup>(1)</sup>	Electricity Production <sup>(1)</sup>	Energy Services, Storage and Other	Corporate Affairs	Total
	QDA	Vermont <sup>(1)</sup>	Total					
Revenues from external customers	1,309,065	1,174,160	2,483,225	—	20,723	65,333	3	2,569,284
Intersegment revenues	21,487	—	21,487	4,051	—	1,187	(26,725)	—
Dividends	—	—	—	—	—	—	15,814	15,814
Total revenues	1,330,552	1,174,160	2,504,712	4,051	20,723	66,520	(10,908)	2,585,098
Direct costs	761,483	703,058	1,464,541	—	8,106	3,539	—	1,476,186
Intersegment direct costs	4,051	—	4,051	—	—	21,438	(25,489)	—
Total direct costs	765,534	703,058	1,468,592	—	8,106	24,977	(25,489)	1,476,186
Gross margin	565,018	471,102	1,036,120	4,051	12,617	41,543	14,581	1,108,912
Operating and maintenance expenses	264,701	240,117	504,818	2,429	20,987	31,296	10,001	569,531
Change in the fair value of a portfolio investment	—	—	—	—	—	—	270,989	270,989
Gain realized on the sale of a portfolio investment	—	—	—	—	—	—	(263,575)	(263,575)
Share in the earnings of equity-accounted interests	—	(101,303)	(101,303)	(37,851)	(19,908)	(4,049)	20	(163,091)
Amortization	140,477	115,546	256,023	720	11,761	9,573	—	278,077
Interest on long-term debt	45,782	57,436	103,218	304	5,777	220	106,572	216,091
Financial and other expenses, net	2,632	3,913	6,545	214	71	916	765	8,511
Income (loss) before income taxes	111,426	155,393	266,819	38,235	(6,071)	3,587	(110,191)	192,379
Income taxes (recovered)	17,102	36,119	53,221	9,735	(6,062)	236	(67,939)	(10,809)
Net income (loss)	94,324	119,274	213,598	28,500	(9)	3,351	(42,252)	203,188
Net income (loss) attributable to:								
The shareholder	62,008	90,005	152,013	20,234	69	3,495	(26,040)	149,771
Non-controlling interests	32,316	29,269	61,585	8,266	(78)	(144)	(16,212)	53,417
Purchases of property, plant and equipment	210,449	156,072	366,521	2,392	254,477	11,542	—	634,932
Equity-accounted interests	—	859,067	859,067	228,400	—	76,152	2,534	1,166,153
Property, plant and equipment	2,344,359	2,341,931	4,686,290	21,804	555,281	195,843	—	5,459,218
Goodwill	75,057	398,066	473,123	273	23,409	16,146	—	512,951
Total assets	3,812,044	4,214,921	8,026,965	274,242	676,915	332,711	53,747	9,364,580

<sup>(1)</sup> The Vermont energy distribution activities, the transportation activities of PNGTS, and Standard Solar's electric power generation activities are carried out in the United States; all of Énergir Inc.'s other activities are carried out in Canada.

## **22. RELATED PARTY TRANSACTIONS**

Intragaz, Limited Partnership, provided natural gas storage services to QDA totalling \$18,150 for the fiscal year ended September 30, 2021 (\$17,925 in 2020). These services are presented as Direct costs in the consolidated statement of income.

During the fiscal year ended September 30, 2021, Transco provided GMP with electricity transmission services totalling \$29,007 (\$35,875 in 2020). These services are presented as Direct costs in the consolidated statement of income.

Enbridge Gas Inc. provided natural gas transportation and storage services to QDA totalling \$36,443 for the fiscal year ended September 30, 2021 (\$35,269 in 2020). These services are presented as Direct costs in the consolidated statement of income.

As at September 30, 2021 and 2020, the balance of subordinated debentures payable to Noverco was \$892,798. During fiscal 2021, the interest on these subordinated debentures recognized in Énergir Inc.'s consolidated statement of income was \$49,718 (\$54,715 in 2020). A balance payable of \$12,396 (\$13,577 as at September 30, 2020) related to that interest was presented in the Accounts payable and accrued liabilities item of the consolidated balance sheet.

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. has loaned amounts to Énergir, L.P., and Énergir, L.P. guarantees certain commitments of Énergir, Inc. For additional information, refer to Notes 14 and 26.

## **23. 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 quarterly 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 of this transaction, Énergir Inc. reduced its capital by making four payments to Noverco, the total amount of which was \$239,449. 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. 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 reported in Retained earnings.

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
<b>Total current assets</b>	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
<b>Total noncurrent assets</b>	629,570
<b>TOTAL ASSETS</b>	671,335

**LIABILITIES**

**Current liabilities**

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

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

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

**24. FINANCIAL INSTRUMENTS**

**NON-DERIVATIVE FINANCIAL INSTRUMENTS**

For its investment funds, Énergir Inc. applies the 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 \$4,737,478, was \$5,275,622 as at September 30, 2021 (\$5,125,369 and \$5,870,015 as at September 30, 2020).

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. and its subsidiaries, and the credit risk of each counterparty.

The offsetting entries of the remeasurements of derivative financial instruments of companies in the Energy Distribution segment are recorded 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.

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

	September 30, 2021		September 30, 2020	
	Assets	Liabilities	Assets	Liabilities
<b>Derivative instruments designated as cash flow hedges</b>				
Swaps	—	—	—	5,847
Forward exchange contracts	—	—	—	36
Total	—	—	—	5,883
<b>Derivative instruments not designated as hedges</b>				
Forward exchange contracts	—	—	—	217
Instruments related to natural gas:				
Fixed-price swaps	14,574	—	2,349	84
Instruments related to electricity:				
Power purchase agreements (a)	220,402	418,599	1,495	22,484
Fixed-price capacity swaps	—	—	—	2,334
Total	234,976	418,599	3,844	25,119
Total derivative instruments	234,976	418,599	3,844	31,002
<b>Portions presented on the consolidated balance sheets</b>				
Current	140,296	—	3,844	8,338
Noncurrent	94,680	418,599	—	22,664
Total	234,976	418,599	3,844	31,002

- (a) 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.

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(in thousands of dollars)

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

	<b>September 30, 2021</b>	September 30, 2020
Swaps (in thousands of dollars)	—	52,595
Forward exchange contracts (in thousands of dollars)	—	1,399
Fixed-price swaps – Carbon (t. equiv. CO <sup>2</sup> )	—	66,000
Instruments related to natural gas (in thousands of gigajoules):		
Fixed-price swaps	<b>5,843</b>	5,668
Instruments related to electricity:		
Power purchase agreements (in thousands of megawatthours)	<b>41,977</b>	1,953
Fixed-price capacity swaps (in megawatts)	—	800

**Fair value hierarchy of derivative financial instruments**

As at September 30, 2021, the fair values of all derivative financial instruments were measured according to Level 2, except for certain power purchase agreements.

Power purchase agreements were entered into to hedge a portion of future costs, and the measurement of some 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 value of these derivative financial instruments was calculated using discounted future cash flows.

The fair values of Level 3 derivative financial instruments as at September 30, 2021 were measured based on the assumptions presented in the table below. The weighted averages were calculated using the quantity of contracted power in MWh relative to each contract:

	Risk-free rate (in %)	Weighted average risk- free rate (in %)	Discount rate (in %)	Implicit price volatility	Forward price (in US\$/kW)	Weighted average forward price (in US\$/kW)
Power purchase agreements	0.04 to 2.36	1.03	1.74	N/A	19.96 to 174.62	52.87

The offsetting entries of the remeasurements of derivative financial instruments of companies in the Energy Distribution segment are recorded 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.

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	
	<b>2021</b>	2020
Balance at beginning	<b>(18,772)</b>	(13,713)
Change in fair value related to unrealized gains (losses)	<b>45,249</b>	(5,823)
Change in fair value related to unrealized losses on additions of derivative instruments	<b>(251,940)</b>	—
Translation adjustments of foreign operations	<b>1,328</b>	764
Balance at end	<b>(224,135)</b>	(18,772)

## 25. FINANCIAL INSTRUMENTS 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 its 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 natural gas and electricity prices have an impact on the fair value of financial assets and liabilities.

#### Exchange rate risk

Énergir Inc.'s U.S.-dollar-denominated secured senior notes and a portion of its U.S.-dollar-denominated term credit facilities are designated as hedges of an equivalent portion of net investments in foreign operations. As such, the impact of exchange rate changes on U.S.-dollar-denominated long-term debt designated as hedges 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 of GHG-related emission allowance transactions.

As at September 30, 2021, a 5% appreciation (depreciation) of the U.S. dollar versus the Canadian dollar would have had a negative (positive) impact of \$1,193 on Énergir Inc.'s consolidated net income and of \$34,810 on its consolidated comprehensive income.

#### Interest rate risk

Énergir Inc. is exposed to the risk of interest rate fluctuations and manages such risk mainly through an interest-rate-setting policy allowing it to maintain 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, 2021, with all other variables being constant, a 100-basis-point increase in interest rates would have reduced consolidated net income by approximately \$13,031 and a 100-basis-point decrease in interest rates would have increased consolidated net income by approximately \$6,571.

#### 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 natural gas and electricity are used to manage customer exposure to the volatility of natural gas and electricity prices. Furthermore, all energy price fluctuations, including gains and losses on derivative financial instruments, are recorded as RAL to 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. COVID-19 has increased the possibility of default by counterparties. As a result, the number and value of bad debts and delinquent accounts could increase. Based on available estimates and assumptions, Énergir Inc. continues to monitor developments and 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:

	2021	2020
Less than 30 days	172,811	178,275
30 to 60 days	12,962	13,344
61 to 90 days	6,174	7,094
Over 90 days	42,343	36,908
	234,290	235,621
Less: Allowance for doubtful accounts	18,117	11,907
	216,173	223,714

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, 2021, Énergir Inc. had short-term and long-term security deposits from customers amounting to \$25,926 compared to \$32,293 as at September 30, 2020.

The 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 several counterparties; by setting risk limits; by monitoring risk according to such limits; by establishing credit support agreements; and by obtaining financial guarantees and security deposits where warranted and pursuant to the terms and conditions approved by regulatory authorities. Énergir Inc. closely monitors and manages counterparty credit risk concentration.

As at September 30, 2021, 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. A combination of committed and demand credit facilities and access to capital markets, directly through Énergir Inc., Énergir, L.P. or some of its subsidiaries and joint ventures, allows it to satisfy its financing needs. 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 (including COVID-19), 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.

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

During the fiscal year ended September 30, 2021, Énergir, L.P. entered into supply contracts with terms ranging from 10 to 20 years, the purpose being to raise its renewable natural gas supply capacity. Énergir, L.P.'s maximum commitment over the durations of these contracts is \$781,271 and is presented below in the Energy Supply item.

As at September 30, 2021, the schedule of contractual commitments related to the different types of supply, for which the duration is more than one year, was as follows:

	2022	2023	2024	2025	2026	Subsequent fiscal years	Total
Energy supply	274,574	301,920	294,347	293,479	285,826	4,367,768	5,817,914
Transportation	282,983	275,464	273,280	269,736	259,141	809,186	2,169,790
Storage	25,487	12,829	689	—	—	—	39,005
<b>Total</b>	<b>583,044</b>	<b>590,213</b>	<b>568,316</b>	<b>563,215</b>	<b>544,967</b>	<b>5,176,954</b>	<b>8,026,709</b>

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:

	2022	2023	2024	2025	2026	Subsequent years	Total
Leases	1,784	1,687	1,360	1,087	951	15,985	22,854

### GUARANTEES

Énergir, L.P. issued letters of credit in an aggregate amount of \$29,275 to guarantee a portion of employee future benefits. If the letters of credit are not renewed, alternative solutions will 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 \$30,027 as at September 30, 2021 as well as financial guarantees for which the amounts cannot be reliably estimated.

As at September 30, 2021, 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.

## 27. 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, and 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.

**28. SUBSEQUENT EVENTS**

These consolidated financial statements and the accompanying notes reflect Énergir Inc.'s evaluation of events occurring between the balance sheet date and November 24, 2021, the date on which these consolidated financial statements were approved.

**DECLARATION OF A DIVIDEND**

On November 24, 2021, Énergir Inc.'s board of directors declared a dividend of \$23,000 payable to the shareholder on January 5, 2022.

**29. COMPARATIVE INFORMATION**

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