

ÉNERGIR INC.

CONSOLIDATED FINANCIAL STATEMENTS
FISCAL YEARS ENDED SEPTEMBER 30, 2023 AND 2022

ÉNERGIR INC.

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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 auditor to the board. External and internal auditors are free to communicate with the audit committee.

The consolidated financial statements of Énergir Inc. as at September 30, 2023 and 2022 and for the years then ended were audited by KPMG LLP, Chartered Professional Accountants, in accordance with Canadian Auditing Standards. These audits included the tests and other procedures it deemed necessary under the circumstances. Its independent opinion on the consolidated financial statements is presented hereinafter.

(signed)

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

(signed)

MATHIEU LEPAGE, CFA
Chief Financial Officer of Énergir Inc.

Montreal, Canada
November 20, 2023



KPMG LLP

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INDEPENDENT AUDITOR'S 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, 2023 and September 30, 2022
- 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, 2023 and September 30, 2022, 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 "***Auditor's Responsibilities for the Audit of the Financial Statements***" section of our auditor's report.

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

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

Other Information

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

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



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

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

We have nothing to report in this regard.

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

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

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

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

Auditor's 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 auditor's 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 auditor's 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 auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

*KPMG LLP**

Montréal, Canada

November 20, 2023

*CPA auditor, public accountancy permit No. A120220

ÉNERGIR INC.
CONSOLIDATED STATEMENTS OF INCOME

Fiscal years ended September 30
(in thousands of dollars)

	2023	2022
REVENUES (Note 6)	3,262,058	3,045,204
DIRECT COSTS	2,035,825	1,910,989
GROSS MARGIN	1,226,233	1,134,215
EXPENSES		
Operating and maintenance	631,179	590,224
Amortization (Notes 7, 10 and 11)	328,236	297,039
Interest on long-term debt	236,159	194,583
Financial and other expenses, net	(7,348)	7,917
	1,188,226	1,089,763
INCOME BEFORE THE UNDERNOTED	38,007	44,452
Share in the earnings of equity-accounted interests (Note 12)	172,951	168,028
INCOME BEFORE INCOME TAXES	210,958	212,480
Income taxes (Note 23)	37,253	24,269
NET INCOME	173,705	188,211
NET INCOME ATTRIBUTABLE TO:		
The shareholder	96,563	109,582
Non-controlling interests	77,142	78,629
	173,705	188,211

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)

	2023	2022
NET INCOME	173,705	188,211
OTHER COMPREHENSIVE INCOME (LOSS)		
Change in translation adjustments of foreign operations	(33,899)	158,307
Change in translation adjustments related to net investment hedging activities, net of income taxes	12,269	(67,920)
Change in the fair value of derivative financial instruments designated as cash flow hedges, net of income taxes	673	959
Change in the funded status of employee future benefit plans (Note 22)	351	5,656
Other comprehensive income related to equity-accounted interests, net of income taxes	4,585	17,854
	(16,021)	114,856
COMPREHENSIVE INCOME	157,684	303,067
COMPREHENSIVE INCOME ATTRIBUTABLE TO:		
The shareholder	82,732	184,597
Non-controlling interests	74,952	118,470
	157,684	303,067

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, 2023 and 2022

(in thousands of dollars)

	Attributable to the shareholder				Total	Non-controlling interests	Total equity
	Share capital (Note 18)	Additional paid-in capital (Note 19)	Retained earnings	Accumulated other comprehensive income (Note 20)			
Balance as at September 30, 2022	182,094	215,525	143,258	146,899	687,776	700,935	1,388,711
Net income	—	—	96,563	—	96,563	77,142	173,705
Other comprehensive loss	—	—	—	(13,831)	(13,831)	(2,190)	(16,021)
Capital contributions	—	151,230	—	—	151,230	62,505	213,735
Dividends	—	—	(96,000)	—	(96,000)	—	(96,000)
Distributions	—	—	—	—	—	(71,718)	(71,718)
Balance as at September 30, 2023	182,094	366,755	143,821	133,068	825,738	766,674	1,592,412
Balance as at September 30, 2021	182,094	215,741	132,676	71,884	602,395	656,330	1,258,725
Net income	—	—	109,582	—	109,582	78,629	188,211
Other comprehensive income	—	—	—	75,015	75,015	39,841	114,856
Capital contributions	—	—	—	—	—	184	184
Redemption of a non-controlling interest (Note 13)	—	(216)	—	—	(216)	(1,158)	(1,374)
Dividends	—	—	(99,000)	—	(99,000)	—	(99,000)
Distributions	—	—	—	—	—	(72,891)	(72,891)
Balance as at September 30, 2022	182,094	215,525	143,258	146,899	687,776	700,935	1,388,711

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)

	2023	2022
ASSETS		
Current assets		
Cash and cash equivalents	96,590	75,045
Restricted cash and cash equivalents	1,785	6,174
Trade and other receivables (Note 8)	247,454	282,872
Regulatory assets (Note 7)	126,259	216,458
Income taxes receivable	13,712	14,701
Inventories (Note 9)	121,738	190,298
Prepaid expenses	29,437	29,729
Derivative financial instruments (Note 26)	15,092	272,652
Other current assets	219	—
Total current assets	652,286	1,087,929
Noncurrent assets		
Restricted cash and cash equivalents	63,929	74,942
Property, plant and equipment (Note 10)	5,617,542	5,241,950
Intangible assets (Note 11)	1,021,639	615,867
Regulatory assets (Note 7)	904,817	491,036
Investments (Note 12)	1,358,408	1,436,973
Goodwill (Note 14)	549,124	510,598
Derivative financial instruments (Note 26)	27,429	302,550
Other noncurrent assets	297,063	249,862
Total noncurrent assets	9,839,951	8,923,778
TOTAL ASSETS	10,492,237	10,011,707
LIABILITIES		
Current liabilities		
Bank loans (Note 15)	46,561	42,102
Accounts payable and accrued liabilities	424,594	434,254
Regulatory liabilities (Note 7)	126,963	344,050
Income taxes payable	1,394	827
Distributions payable	18,995	17,400
Dividends payable	29,000	26,000
Derivative financial instruments (Note 26)	18,070	3,108
Current portion of long-term debt (Note 16)	28,369	1,383
Total current liabilities	693,946	869,124
Noncurrent liabilities		
Long-term debt (Note 16)	5,558,293	5,343,005
Regulatory liabilities (Note 7)	917,410	1,110,907
Deferred income taxes (Note 23)	708,829	661,327
Derivative financial instruments (Note 26)	227,583	45,075
Other noncurrent liabilities (Note 17)	793,764	593,558
Total noncurrent liabilities	8,205,879	7,753,872
TOTAL LIABILITIES	8,899,825	8,622,996
EQUITY		
Share capital (Note 18)	182,094	182,094
Additional paid-in capital (Note 19)	366,755	215,525
Retained earnings	143,821	143,258
Accumulated other comprehensive income (Note 20)	133,068	146,899
Equity attributable to the shareholder	825,738	687,776
Non-controlling interests	766,674	700,935
TOTAL EQUITY	1,592,412	1,388,711
TOTAL LIABILITIES AND EQUITY	10,492,237	10,011,707

Commitments and guarantees (Note 28)

Contingencies (Note 29)

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)

	2023	2022
OPERATING ACTIVITIES		
Net income	173,705	188,211
Adjustments to reconcile net income and operating cash flows:		
Distributions received from equity-accounted interests	178,199	145,686
Amortization of property, plant and equipment (Note 10)	248,386	239,820
Amortization of regulatory assets and liabilities, intangible assets, financing costs and other (Notes 7, 11 and 16)	98,150	76,051
Use of greenhouse gas emission allowances	213,102	208,209
Share in the earnings of equity-accounted interests	(172,951)	(168,028)
Deferred income taxes (Note 23)	34,270	26,388
Change in regulatory assets and liabilities related to the cost of energy	126,750	(46,562)
Change in other regulatory assets and liabilities	(271,757)	(29,365)
Change in other operating assets and liabilities (Note 21)	62,922	(83,273)
Other	(15,395)	34,291
Cash flows related to operating activities	675,381	591,428
INVESTING ACTIVITIES		
Purchases of property, plant and equipment	(472,560)	(352,141)
Disposals of property, plant and equipment	4,721	4,453
Purchases of intangible assets (Note 11)	(417,827)	(343,917)
Purchases of investment fund units	(3,105)	(3,352)
Disposals of investment fund units	3,016	3,848
Purchases of equity-accounted interests and other investments (Note 12)	(15,862)	(61,964)
Acquisition of a subsidiary, net of cash acquired (Note 5)	(39,609)	—
Other	(28,988)	(44,535)
Cash flows related to investing activities	(970,214)	(797,608)
FINANCING ACTIVITIES		
Change in bank overdraft	—	(12,540)
Change in bank loans (Note 15)	(3,853)	(2,106)
Change in term credits (Note 16)	(286,508)	29,175
Issuances of other long-term debt, net of issuance costs (Note 16)	543,417	618,763
Repayments of other long-term debt (Note 16)	(2,393)	(242,116)
Capital contributions (Note 19)	213,735	184
Redemption of a non-controlling interest	—	(1,374)
Dividends	(93,000)	(95,500)
Distributions	(70,123)	(70,444)
Cash flows related to financing activities	301,275	224,042
IMPACT OF EXCHANGE RATE FLUCTUATIONS	(299)	3,550
NET CHANGE	6,143	21,412
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH AND CASH EQUIVALENTS AT BEGINNING	156,161	134,749
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH AND CASH EQUIVALENTS AT END	162,304	156,161

Supplemental disclosure of cash flow information (Note 21)

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

1. NATURE OF OPERATIONS

Énergir Inc. mainly holds an investment of 71.0% in Énergir, L.P. for which it acts as the General Partner. Énergir, L.P. conducts various business activities that all fall within the energy sector. The distribution of energy is one of Énergir, L.P.'s largest activities and includes the distribution of natural gas in Quebec ("QDA") and the distribution of electricity and natural gas in Vermont, U.S.A. ("Vermont") through, respectively, its indirect and wholly owned subsidiaries Green Mountain Power Corporation ("GMP") and Vermont Gas Systems, Inc. ("VGS"). In addition, through its subsidiaries, jointly controlled companies ("joint ventures") and entities subject to significant influence, Énergir, L.P. is engaged in other, mostly regulated activities in the natural gas transportation and storage markets and in the renewable energy production 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 7.

Corporate change

On March 31, 2023, Noverco Inc. ("Noverco"), the controlling shareholder of Énergir Inc., transferred to Énergir Group Inc. ("Énergir Group") its investment in common shares of Énergir Inc., as well as the subordinated debentures issued by Énergir Inc., in exchange for an investment in common shares of Énergir Group and new subordinated debentures issued by Énergir Group under conditions identical to those transferred. Énergir Group is an exclusive subsidiary of Noverco and, since the above-mentioned date, holds a 100% interest in Énergir Inc.

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").

Given the absence of an accounting standard specifically addressing regulatory assets and liabilities ("RAL") in International Financial Reporting Standards ("IFRS"), in 2015 Énergir Inc. obtained an exemption from the Canadian Securities Administrators ("CSA") permitting it to apply U.S. GAAP in its preparation of annual and interim consolidated financial statements. In 2021, the International Accounting Standards Board ("IASB") published an exposure draft on a new standard covering RAL, i.e., IFRS 14, *Regulatory Deferral Accounts*, that would apply to all entities with rate-regulated activities. In March 2023, the CSA approved an extension of the exemption until the first of the following dates: January 1, 2027 or no later than (i) an IASB-prescribed date for the application of this standard or (ii) two years after the IASB has published a final version of this standard.

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements of Énergir Inc. include the accounts of Énergir Inc., Énergir, L.P., and its subsidiaries as well as variable interest entities ("VIE") for which Énergir Inc. is the primary beneficiary. When a contractual agreement is signed, Énergir Inc. performs an analysis to assess whether it involves a VIE. A primary beneficiary has the power to direct or control the activities that most significantly influence the performance of an entity and has the obligation to absorb the entity's losses or receive its benefits. Énergir Inc. uses the hypothetical liquidation at book value ("HLBV") method to account for its economic interests in the VIEs for which Énergir is the primary beneficiary. The VIEs, described in Note 13, are held in partnership with an investor. The HLBV method is being used because these VIEs are limited liability companies, and the agreement between the partners states that liquidation rights and distribution priorities do not correspond to the ownership interest percentages. 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 12.

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 sheet and proportionate shares in expenses are included in the consolidated statement of income. Énergir Inc. is responsible for its proportionate share of the financing.

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

Investissement Québec's economic interest in Gaz Métro LNG

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

Investissement Québec's interest in Gaz Métro LNG was recorded as a non-controlling interest in Énergir Inc.'s financial statements, a method whereby the sell option has no impact on the amount recognized. If Investissement Québec's sell option had been available as at September 30, 2023, the purchase amount would have been \$51,051 (\$50,523 as at September 30, 2022).

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, the Vermont Public Utility Commission ("VPUC"), and the Federal Energy Regulatory Commission.

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

RAL arise as a result of the rate-setting process applicable to rate-regulated enterprises. Regulatory assets consist of incurred costs that rate-regulated entities expect to recover from customers in future years through the rate-setting process. Regulatory liabilities consist of amounts that rate-regulated entities expect to return to customers

in future years through the rate-setting process. The amounts eligible for deferral depend on decisions made by the various regulatory agencies and on the accounting standards applicable to rate-regulated activities.

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

CASH AND CASH EQUIVALENTS

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

RESTRICTED CASH AND CASH EQUIVALENTS

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

TRADE ACCOUNTS RECEIVABLE

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

INVENTORIES

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

PROPERTY, PLANT AND EQUIPMENT

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

Amortization is mainly calculated using the straight-line method over the estimated remaining lives of in-service assets. Work in progress is not amortized before the assets are put into service. The amortization rates applied to assets used in rate-regulated activities are periodically reviewed and approved by regulatory agencies and, in certain cases, reflect estimates of future retirement costs. These future asset retirement costs, which are not related to the retirement obligations for property, plant and equipment, are accounted for as an increase to regulatory liabilities, while the actual costs of retiring assets are accounted for as a decrease to regulatory liabilities. The impact of this practice is presented in Note 7.

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

Distribution	8 to 70 years
Production	25 to 115 years
Transportation	20 to 70 years
Storage	10 to 45 years
Energy services	8 to 37 years
General plant	2 to 55 years

RETIREMENT OBLIGATIONS FOR PROPERTY, PLANT AND EQUIPMENT

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

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

INTANGIBLE ASSETS

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

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

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

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

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

IT DEVELOPMENT FOR CLOUD COMPUTING

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

BUSINESS COMBINATIONS

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

GOODWILL

Goodwill is the excess of the purchase price over the net values assigned to assets acquired and liabilities assumed when a business is acquired. Goodwill, which is not amortized, is tested for impairment annually or more frequently if events or changes in circumstances indicate that goodwill might not be recoverable. Énergir Inc. has the option to first assess qualitative factors to determine whether the fair value of a reporting unit is more likely than not to be less than its carrying amount in order to decide whether to test goodwill using an impairment test. The test consists of comparing the carrying amount and the fair value of the reporting units calculated based on the discounted future cash flow method or using external valuations. If the carrying amount of a reporting unit exceeds its fair value, a loss of value is recognized in the consolidated statement of income in an amount equal to the excess, up to the maximum of the goodwill subject to the test.

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

IMPAIRMENT OF NONCURRENT ASSETS

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

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

FOREIGN CURRENCY TRANSLATION

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

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

REVENUE RECOGNITION

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

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

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

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

GOVERNMENT ASSISTANCE

Government assistance is recognized when it is more likely than not to be realized and is recorded using the cost reduction method. Under this method, government assistance is applied against the related expense or the asset to which it relates, in which case it is amortized in the consolidated statement of income over the asset's estimated remaining useful life. Government assistance receivable is recorded under Trade and other receivables.

INCOME TAXES

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

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

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

EMPLOYEE FUTURE BENEFITS

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

DBP plans and PRB plans

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

Net actuarial gains and losses exceeding 10% of the higher of the amount of the projected benefit obligation and the fair value of the plan assets at the beginning of the period are amortized over the expected remaining service life of the employee groups covered, which varies between 8 and 14 years, depending on the plan. This amortization is included in the net projected benefit cost.

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

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

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

FINANCIAL INSTRUMENTS

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

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

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

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

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

HEDGING RELATIONSHIPS

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

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

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

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

Rate-regulated activities

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

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

Hedging relationships eligible for hedge accounting

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

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

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

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

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

TRANSACTION COSTS

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

3. ACCOUNTING CHANGES

RECENTLY ADOPTED STANDARD

Government assistance

On October 1, 2022, Énergir Inc. prospectively applied ASU 2021-10, *Disclosures by Business Entities About Government Assistance*. The guidance therein applies to annual financial statements and provides an update to ASC 832, *Government Assistance*, notably by adding disclosure requirements about transactions between an entity and a government, including (i) the nature of the transaction and accounting policy used, (ii) financial

statement line items and applicable amounts, and (iii) terms and conditions, including commitments and contingencies. The adoption of this new guidance did not have a significant impact on Énergir Inc.'s consolidated financial statements as at September 30, 2023, aside from the additional information presented in Note 10.

STANDARD ISSUED BUT NOT YET IN EFFECT

Joint venture formations

In August 2023, FASB issued ASU 2023-05, *Business Combinations – Joint Venture Formations*. This guidance aims to standardize the accounting for contributions received upon the formation of a joint venture by requiring that the net assets of the joint venture be measured at fair value. This guidance will be applied prospectively to interim and annual financial statements beginning on or after January 1, 2025. Énergir Inc. is currently assessing the impact of adopting this guidance on its consolidated financial statements.

4. SALE OF ASSETS

As at June 30, 2022, Énergir Management, L.P. (formerly Gaz Métro Plus Limited Partnership), a subsidiary of Énergir, L.P., sold some of its assets and liabilities for a selling price of \$7,000 in order to dispose of a portion of its operations. An amount of \$3,500 was received on the transaction date, and the balance is receivable in five equal annual instalments and bears interest at an annual rate of 5.25%. A disposal loss of \$8,600, including transaction costs, was reported in the Operating and maintenance expenses item of the consolidated statement of income for fiscal 2022. As at September 30, 2023, an amount receivable of \$2,984 was included on the consolidated balance sheets.

5. ACQUISITION OF A SUBSIDIARY

INTRAGAZ

On December 31, 2022, Énergir Inc., through its indirect subsidiary Gaz Métro Holding Inc., acquired the shares and units held by the Intragaz Group's ("Intragaz") joint venturer, Engie Québec Inc., in exchange for a cash consideration of \$46,000 paid on January 4, 2023 (\$39,609 net of cash acquired of \$6,391).

The purpose of this acquisition is to continue enhancing Intragaz's storage activities and to pursue business growth through future development projects.

Before this transaction, the ownership interest in Intragaz was accounted for using the equity method. On the transaction date, Énergir Inc. consolidated Intragaz in accordance with ASC 810, *Consolidation* and ASC 805, *Business Combinations*.

Since this transaction constituted a step acquisition of a subsidiary, the carrying value of the ownership interest determined using the equity method immediately before the transaction was remeasured at a fair value of \$69,000, which was based on the fair value of the cash consideration paid to the joint venturer as part of the transaction. As a result of this remeasurement, a \$6,708 gain was recognized in the Operating and maintenance item of the consolidated statement of income.

The total fair value of the acquired business (acquiree) was determined as follows:

Consideration paid to the joint venturer	46,000
Fair value of the ownership interest in Intragaz Group held immediately before the transaction, net of the deferred income tax liability	69,000
Total fair value of the acquiree	115,000

The following table presents the final purchase price allocation of the fair value of the acquiree, i.e., the allocation between assets acquired and liabilities assumed at the acquisition date.

Assets acquired	
Cash	6,391
Current assets	3,139
Property, plant and equipment	123,013
Other noncurrent assets	118
Total assets acquired	<u>132,661</u>
Liabilities assumed	
Bank loan (a)	9,000
Current liabilities	2,478
Current portion of long-term debt (Note 16)	27,195
Deferred income taxes	25,152
Total liabilities assumed	<u>63,825</u>
Total value of identifiable net assets acquired	<u>68,836</u>
Goodwill (b)	<u>46,164</u>
Total value of net assets acquired	<u>115,000</u>

(a) In April 2023, Intragaz repaid its credit facility in an amount of \$9,000.

(b) Goodwill is not deductible for income tax purposes. The main factors that contributed to the recognition of goodwill by Énergir Inc. were (i) the possibility of maximizing the value of Intragaz's natural gas and storage activities during peak periods, (ii) the holding of a unique right to operate in Quebec, which represents significant value for Énergir Inc., and (iii) the synergy of the resources.

6. REVENUES

	Fiscal years ended September 30	
	<u>2023</u>	<u>2022</u>
Revenues from customers	3,250,037	3,094,076
Alternative revenue programs ⁽¹⁾	28,254	(32,249)
Amortization of commercial programs	(16,233)	(16,623)
	<u>3,262,058</u>	<u>3,045,204</u>

⁽¹⁾ The alternative revenue programs are composed of rate stabilization mechanisms related to temperature and wind and of a revenue decoupling mechanism. Refer to Note 7.

As at September 30, 2023, the Other noncurrent assets item included an amount of \$78,351 (\$85,325 in 2022) to reflect amounts paid under commercial programs.

7. 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 2023 and 2022 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 base rate of return authorized by the Régie on deemed common equity was set at 8.90% for fiscal years 2022 and 2023.

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 and the rate of return on GMP’s and VGS’s deemed common equity are approved annually by the VPUC.

In the case of GMP, the price of electricity is set annually. A quarterly price adjustment mechanism is in place so that differences between the actual electric power sales revenues and actual supply costs and those anticipated during the rate-setting process are recovered from or returned to customers. In the case of VGS, the price of natural gas is adjusted quarterly using a rate adjustment mechanism linked to the cost of gas.

The following table summarizes the regulatory framework applicable to each of these subsidiaries for the fiscal years ended September 30, 2023 and 2022:

	2023		2022	
	Deemed shareholders’ equity (in %)	Authorized rate of return on common equity (in %)	Deemed shareholders’ equity (in %)	Authorized rate of return on common equity (in %)
GMP	50.0	8.57	50.4	8.57
VGS	50.0	8.92	50.0	8.80

REGULATORY ASSETS AND LIABILITIES

The following table presents the net carrying amounts of the RAL as at September 30, 2023 and 2022:

	Recovery period (years)	2023	2022
Regulatory assets ⁽¹⁾			
Rate stabilization and related accounts (a)	1 to 2	38,632	25,978
Charges related to the cost of energy (b)	1 to 5	58,513	142,382
Charges related to financial instruments (c)	1 to 31	240,784	41,510
Charges related to energy efficiency funds and programs (d)	1 to 10	161,351	121,040
Charges related to employee future benefits (e)	Indeterminable	97,416	123,357
Charges related to site decontamination and dismantling in the United States (f)	1 to 20	10,041	10,230
Charges related to mechanisms for sharing profits and losses (g)	1 to 3	167,652	61,261
Charges related to income taxes (h)	Indeterminable	71,201	69,244
Charges related to deferred taxes following the U.S. tax reform (i)	29	5,622	5,931
Charges related to the cost of settling the DBP and PRB plans (k)	Indeterminable	26,703	16,052
Charges related to adjustments to the cost of energy, storms, and the revenue decoupling mechanism (l)	1 to 3	89,874	22,252
Other	Indeterminable	63,287	68,257
		<u>1,031,076</u>	<u>707,494</u>
Portions presented on the balance sheet:			
Current		126,259	216,458
Noncurrent		904,817	491,036
		<u>1,031,076</u>	<u>707,494</u>
Regulatory liabilities ⁽²⁾			
Rate stabilization and related accounts (a)	1 to 2	3,484	6,056
Credits related to the cost of energy (b)	1 to 5	84,384	49,715
Credits related to financial instruments (c)	1 to 23	42,521	575,202
Credits related to energy efficiency funds and programs (d)	1 to 10	1,657	1,242
Credits related to employee future benefits (e)	Indeterminable	84,241	42,198
Credits related to mechanisms for sharing profits and losses (g)	1 to 2	35,360	34,897
Credits related to income taxes (h)	5	19,066	21,410
Credits related to deferred taxes following the U.S. tax reform (i)	33	205,356	214,211
Future costs of retiring property, plant and equipment (j)	Indeterminable	556,290	494,010
Credits related to adjustments to the cost of energy, storms, and the revenue decoupling mechanism (l)	1 to 3	3,260	1,118
Other	Indeterminable	8,754	14,898
		<u>1,044,373</u>	<u>1,454,957</u>
Portions presented on the balance sheet:			
Current		126,963	344,050
Noncurrent		917,410	1,110,907
		<u>1,044,373</u>	<u>1,454,957</u>

⁽¹⁾ The amortization of regulatory assets was \$40,074 (\$27,545 in 2022).

⁽²⁾ The amortization of regulatory liabilities was \$8,179 (\$1,939 in 2022).
These amounts are reported in the Amortization item of the consolidated statement of income.

(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 period of one to two years for QDA and over one year as of the subsequent fiscal year for VGS.

(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 remeasuring the derivative financial instruments held for operations related to rate-regulated activities. These RAL are recovered or returned through future rates when the derivative financial instruments are settled. Note 26. provides additional information about the composition of these financial instruments.
- (d) The RAL related to energy efficiency funds and programs consist of grants awarded to customers participating in these programs, of budget variances, and of certain disbursements needed to satisfy compliance requirements, as prescribed by the regulatory agencies.
- (e) The RAL related to employee future benefits come from certain DBP plans and PRB plans. The assets include the following items:
- Unamortized balances of net actuarial losses (gains) that are amortized using the corridor method;
 - Unamortized balances of past service costs upon first-time adoption of U.S. GAAP;
 - Differences between the regulatory treatments and accounting policies created upon first-time adoption of U.S. GAAP by QDA;
 - Differences between regulatory treatments and accounting policies created during a business acquisition; and
 - Budget variances, i.e., the difference between the net projected benefit cost estimated upon QDA's rate case preparation and the actual cost.

Note 22 provides additional information about the composition of these RAL.

- (f) The RAL related to site decontamination and dismantling in the United States consist of already incurred costs as well as estimated future disbursements to decontaminate the land on which a manufactured gas plant was located. The offsetting entry to estimated future disbursements is reported in the Other noncurrent liabilities item of the consolidated balance sheets.
- (g) The RAL related to the mechanisms for sharing profits and losses consist of overearnings or shortfalls attributable to the customers of QDA and GMP 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.
- These RAL also include QDA's revenue decoupling mechanism that will return to customers, or recover from them, all variances between authorized required revenue and normalized actual revenue in order to offset the impacts of changes in economic conditions on operations.
- (h) The RAL related to income taxes consist mainly of amounts to be returned or recovered through the future rates of QDA, GMP, and VGS, due to the difference between the income tax expense included in the rates and that established in accordance with FASB's ASC 740, *Income Taxes*.
- (i) 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 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.
- (j) 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.
- (k) The RAL related to the cost of settling the DBP and PRB plans are the costs of GMP and VGS upon settlement of a portion of the projected benefit obligation. These costs are recoverable through future rates, as prescribed by the regulatory agencies.
- (l) GMP uses rate stabilization accounts to level rates over the life of its multiyear regulation plan. Once recognized, these RAL are amortized over the remaining life of the plan. GMP's new multiyear plan, approved by the VPUC, covers a four-year period and is effective from October 1, 2022 to September 30, 2026.

The VPUC authorizes GMP to offset the RAL related to the cost of energy, storms, and the revenue decoupling mechanism. The amortization of these RAL may begin, with prior VPUC approval, once the net variances vary in a same direction for two consecutive quarters.

ÉNERGIR INC.
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(in thousands of dollars)

The RAL related to storms consist of expenses caused by external factors that affect GMP's network and that exceed the annual amount of US\$1,200 (US\$1,200 in 2022) authorized by the VPUC.

These RAL also include a fund to cover the costs of major storms. Amounts collected from customers are used to offset the future costs of major storms when approved by regulatory agencies. The collected balance, net of any amount offset for the costs of major storms, must not exceed \$12,000.

8. TRADE AND OTHER RECEIVABLES

	2023	2022
Trade accounts receivable (Note 27)	226,653	275,173
Other receivables	20,801	7,699
	247,454	282,872

9. INVENTORIES

	2023	2022
Natural gas	73,903	148,100
Supplies and materials	47,835	42,198
	121,738	190,298

10. PROPERTY, PLANT AND EQUIPMENT

	2023			
	Cost	Accumulated amortization	Construction in progress	Total
Distribution	5,300,589	1,901,612	146,870	3,545,847
Production	912,919	306,330	31,240	637,829
Transportation	699,045	59,631	87,192	726,606
Storage	258,982	98,826	50,144	210,300
Energy services	195,672	56,739	7,099	146,032
General plant	572,579	249,164	27,513	350,928
	7,939,786	2,672,302	350,058	5,617,542
	2022			
	Cost	Accumulated amortization	Construction in progress	Total
Distribution	5,083,328	1,839,386	132,344	3,376,286
Production	863,272	275,292	51,026	639,006
Transportation	696,064	50,781	15,888	661,171
Storage	76,657	18,814	10,097	67,940
Energy services	225,827	84,751	5,706	146,782
General plant	558,150	226,617	19,232	350,765
	7,503,298	2,495,641	234,293	5,241,950

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

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

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

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

The costs of property, plant and equipment not subject to amortization, excluding construction in progress, as at September 30, 2023 and 2022, stood at \$124,705 and \$63,603, 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 distribution network and GMP's transmission network as well as investments in GMP's electric power generation assets.

Énergir Inc. owns appliances that it leases under operating leases. The cost and accumulated amortization of these leased appliances stood at \$28,153 and \$8,105, respectively, as at September 30, 2023 compared to \$61,449 and \$41,184, respectively, as at September 30, 2022. Revenues from these operating leases totalled \$2,973 and \$10,080 for fiscal years 2023 and 2022, respectively.

The amortization expense was \$248,386 in 2023 compared to \$239,820 in 2022.

During fiscal 2023, an amount of \$2,173 (\$1,436 in 2022) in interest was capitalized to the construction in progress of certain rate-regulated activities.

Énergir Inc. receives government assistance from the Government of Quebec, mainly from the Ministère des Ressources naturelles et des Forêts ("MRNF"), to carry out development projects. During fiscal 2023, Énergir Inc. received an amount of \$34,377 for development projects. Of this amount, \$32,080 was reported in the Grants received in advance item (refer to Note 17) with an offsetting entry in the Noncurrent restricted cash and cash equivalents item. Under the terms of the contracts, the MRNF reserves the right to reduce the amount of government assistance in proportion to the expenses actually incurred by Énergir Inc. for each project or to request total or partial reimbursement when actual costs are below the initial estimate. Énergir Inc. does not anticipate having to reimburse the MRNF for these projects.

As at September 30, 2023, the unamortized balance of government assistance applied against property, plant and equipment was \$220,100. During fiscal 2023, an amount of \$8,945 was applied against amortization expense.

JOINTLY CONTROLLED ASSETS

The following table presents summary financial information about the ownership interest levels in each of the jointly controlled assets as at September 30, 2023 and 2022, which are included mainly in distribution and production assets:

	2023			
	Economic interest (in %)	Proportionate share of capacity (in MWh)	Proportionate share of assets	Proportionate share of accumulated amortization
Joseph C. McNeil	31.0	16.7	44,474	44,032
Wyman #4	2.9	17.6	8,935	8,935
Stony Brook #1	8.8	31.0	16,865	16,610
Metallic Neutral Return	59.4	—	2,122	2,122
Millstone Unit #3	1.7	21.4	120,093	74,573
				2022
	Economic interest (in %)	Proportionate share of capacity (in MWh)	Proportionate share of assets	Proportionate share of accumulated amortization
Joseph C. McNeil	31.0	16.7	44,152	43,364
Wyman #4	2.9	17.6	8,819	8,819
Stony Brook #1	8.8	31.0	17,162	16,685
Metallic Neutral Return	59.4	—	2,161	2,161
Millstone Unit #3	1.7	21.4	119,596	74,462

11. INTANGIBLE ASSETS

	2023		
	Cost	Accumulated amortization	Net carrying amount
GHG emission allowances	951,106	—	951,106
Development of information technology	172,787	126,461	46,326
Rights and licences	26,234	11,185	15,049
Customer relationships and other	12,544	3,386	9,158
	1,162,671	141,032	1,021,639
			2022
	Cost	Accumulated amortization	Net carrying amount
GHG emission allowances	552,872	—	552,872
Development of information technology	186,485	146,381	40,104
Rights and licences	23,846	10,615	13,231
Customer relationships and other	12,544	2,884	9,660
	775,747	159,880	615,867

Capitalized intangible assets totalled \$417,827 in 2023 and \$343,917 in 2022. Of this 2023 amount, \$402,797 relates to assets acquired and \$15,030 relates to internally generated assets (\$339,965 and \$3,952, respectively, in 2022).

The amortization expense on intangible assets was \$13,891 in 2023 (\$16,889 in 2022).

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

2024	11,550
2025	11,971
2026	11,121
2027	10,326
2028	10,460

12. INVESTMENTS

	Economic interest (in %)	2023	2022
Énergir, L.P.			
Equity-accounted interests			
Interests in joint ventures			
Trans Québec & Maritimes Pipeline Inc. ("TQM") (a)	50.0	197,575	172,834
Intragaz (40.0% to 60.0% in 2022) (Note 5)	—	—	84,424
SDB Wind Farms ⁽¹⁾	50.0	42,798	36,886
Other		(1,270)	64
		239,103	294,208
Interests in entities subject to significant influence			
Portland Natural Gas Transmission System ("PNGTS")	38.3	108,899	129,943
Vermont Transco LLC ("Transco") (77.1% in 2022) (b)	77.3	929,889	934,597
Vermont Electric Power Company, Inc.	38.8	13,101	13,345
Other		3,498	3,769
		1,055,387	1,081,654
Total equity-accounted interests		1,294,490	1,375,862
Other investments			
Surrender value of life insurance policies ⁽²⁾		30,114	27,401
		32,534	33,710
		1,357,138	1,436,973
Balance sheet presentation			
Investments		1,358,408	1,436,973
Other noncurrent liabilities		(1,270)	—
		1,357,138	1,436,973

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

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

INTERESTS IN JOINT VENTURES AND ENTITIES SUBJECT TO SIGNIFICANT INFLUENCE

(a) During fiscal 2023, Énergir, L.P. made, through its subsidiary Gaz Métro Holding Inc., capital contributions of \$12,000 (\$20,850 in 2022) to TQM. The purpose of the funds is to finance investment projects related to natural gas transportation activities.

(b) GMP holds variable interests in Transco (refer to Note 13). During fiscal 2023 and 2022, GMP invested capital amounts of \$1,071 (US\$789) and \$40,836 (US\$32,635), respectively, in Transco.

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	
	2023	2022
Statement of income		
Revenues	751,855	704,229
Net income	292,477	270,351
<hr/>		
Balance sheet		
Current assets	218,136	256,382
Noncurrent assets	4,150,741	4,312,230
Current liabilities	344,389	400,864
Noncurrent liabilities	2,128,939	2,147,427

13. VARIABLE INTEREST ENTITIES

CONSOLIDATED VIEs

Under partnership agreements with the below-listed entities, Énergir Inc. has the power to direct and directly 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 Inc. is the primary beneficiary.

GMP

GMP VT Solar LLC ("GMP Solar")

GMP Solar used to operate solar farms in the State of Vermont. During fiscal 2022, GMP exercised a purchase option of the entity for an amount of \$1,374 (US\$1,098). The amount by which the fair value of the ownership interest exceeded the carrying value was recorded as an equity transaction. GMP Solar was dissolved into GMP during fiscal 2023.

GMP VT Microgrid LLC ("GMP Microgrid")

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

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

	2023	2022
Net income	1,355	999
Allocation of net income between the partners ⁽¹⁾ :		
Énergir Inc.	755	461
Investors	600	538
Assets ⁽²⁾	61,839	133,781
Liabilities ⁽³⁾	7,577	13,007

⁽¹⁾ The net income between the partners is allocated using the HLBV method, which reflects the fact that the other partner receives additional tax attributes outside the structure of the VIE.

⁽²⁾ The assets consist mainly of property, plant and equipment.

⁽³⁾ The liabilities consist mainly of accounts payable and accrued liabilities and an operating lease obligation.

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\$684,900 as at September 30, 2023 (US\$675,824 as at September 30, 2022).

14. GOODWILL

	2023	2022
Balance at beginning	510,598	476,658
Acquisition and other (Note 5)	46,164	(900)
Translation adjustment	(7,638)	34,840
Balance at end	549,124	510,598

No provision for goodwill impairment was required for fiscal years 2023 and 2022.

15. BANK LOANS

	Maximum authorized amounts	Weighted interest rate (in %)	Maturity	2023	2022
Énergir, L.P. (a)	50,000	—	On demand	—	—
United States (3.54% in 2022) (b)	74,674	5.88	2026	46,561	42,102
Other (a)	6,000	—	2024	—	—
	130,674			46,561	42,102

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

(b) In June 2023, VGS's credit facility with a maximum amount of \$74,674 (US\$55,000) expired and was replaced by a new credit facility for the same amount. This facility bears interest at a floating rate equal to the Secured Overnight Financing Rate (SOFR) plus 0.58% and matures in June 2026. As at September 30, 2023, an amount of \$46,561 (US\$34,294) had been drawn.

16. LONG-TERM DEBT

	Weighted interest rate (in %)	Maturity	2023	2022
Énergir Inc.				
Subordinated debentures of the shareholder (6.30% in 2022) (a)	7.61	2052	892,798	892,798
Énergir, L.P. (b)				
First mortgage bonds (4.60% in 2022)	4.60	2025 to 2047	1,275,000	1,275,000
Secured senior notes (US\$430,000 in 2023 and 2022) (4.19% in 2022) (c)	4.19	2025 to 2048	583,811	594,647
			1,858,811	1,869,647
Énergir, L.P. on capital markets (b)				
Secured term credit (3.27% in 2022) (d) (i)	5.27	2027	129,425	449,401
First mortgage bonds (3.66% in 2022) (e)	4.17	2032 to 2053	925,000	525,000
			1,054,425	974,401
U.S. subsidiaries				
First mortgage bonds (US\$918,500 in 2023 and US\$808,500 in 2022) (4.54% in 2022) (f)	4.60	2024 to 2053	1,247,047	1,118,075
Unsecured senior notes (US\$215,000 in 2023 and US\$216,000 in 2022) (4.41% in 2022) (g)	4.40	2026 to 2046	291,906	298,706
Unsecured term credit (US\$106,252 in 2023 and US\$141,541 in 2022) (3.68% in 2022) (f) (i)	5.93	2026	144,258	195,738
			1,683,211	1,612,519
Canadian subsidiaries				
Secured term credits (5.57% in 2022) (h) (i)	5.06	2024 to 2033	118,969	13,515
			5,608,214	5,362,880
Financing costs, net of amortization			(21,552)	(18,492)
			5,586,662	5,344,388
Current portion			28,369	1,383
			5,558,293	5,343,005

CAPITAL REPAYMENTS

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

2024	28,369
2025	242,561
2026	184,461
2027	504,990
2028	175,089
Thereafter	4,472,744

(a) The subordinated debentures payable to the 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.

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 quarterly.

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

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

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

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

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

On the basis of Énergir, L.P.'s non-consolidated financial statements, the long-term debt to total capitalization ratios, calculated according to the terms of the trust deeds and other agreements governing Énergir, L.P.'s long-term debt, stood at 54.9% as at September 30, 2023 and at 56.5% as at September 30, 2022.

On the basis of Énergir, L.P.'s non-consolidated financial statements, the long-term debt interest coverage ratios were 3.33 times and 3.85 times for the fiscal years ended September 30, 2023 and 2022, 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, 2023 and 2022, Énergir, L.P.'s assets used for such activities accounted for 2.39% and 2.42%, respectively, of its total non-consolidated assets. Furthermore, with respect to non-energy-related activities, Énergir, L.P.'s interests in such activities must not exceed 5% of its total non-consolidated assets. As at September 30, 2023 and 2022, Énergir, L.P. had no interests in such activities.

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

A portion of the term credit was denominated in U.S. dollars, i.e., \$42,882 (US\$32,100) as at September 30, 2023 and \$69,283 (US\$50,100) as at September 30, 2022.

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

In September 2022, Énergir, L.P. issued, by way of private placement, first mortgage bonds in an amount of \$200,000. These bonds bear interest at an annual rate of 4.67%, mature in September 2032, and are secured by a universal hypothec on Énergir, L.P.'s assets. Cross-currency swaps in U.S. dollars for an equivalent

amount and maturing in September 2032 were entered into and designated as net investment hedging instruments (refer to Note 26).

In June 2023, Énergir, L.P. issued, by way of private placement, first mortgage bonds in an amount of \$400,000. These bonds mature in June 2053, bear interest at an annual rate of 4.83%, and are secured by a universal hypothec on Énergir, L.P.'s assets.

- (f) All of GMP's assets are subject to the lien in the deed of trust under which the first mortgage bonds were issued. GMP's first mortgage bonds deed of trust requires that a long-term debt to total capitalization ratio of no more than 65% be maintained. The first mortgage bonds have restrictions applicable to the payment of dividends by GMP. Under the most restrictive conditions, approximately \$463,452 (US\$341,351) in retained earnings was unrestricted as at September 30, 2023 compared to \$441,499 (US\$319,256) as at September 30, 2022. Some of these first mortgage bonds require annual payments into a sinking fund.

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

In March 2022, GMP repaid a series of first mortgage bonds in an amount of \$10,110 (US\$8,000).

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

In December 2022, GMP issued first mortgage bonds for an amount of \$47,439 (US\$35,000). These bonds mature in December 2032 and bear interest at an annual rate of 4.56%.

In June 2023, GMP issued first mortgage bonds for an amount of \$99,315 (US\$75,000), i.e., one series of \$52,968 (US\$40,000) and one series of \$46,347 (US\$35,000). These series of bonds mature in December 2033 and June 2053 and bear interest at annual rates of 5.08% and 5.56%, respectively. These issuances were mainly used to repay the credit facility.

In August 2023, GMP repaid a credit facility with a maximum amount of \$236,390 (US\$175,000) and entered into a new credit facility with a maximum amount of \$270,160 (US\$200,000). This facility bears interest at a floating rate corresponding to the SOFR rate plus 0.60% and expires in July 2026.

- (g) In June 2022, Northern New England Energy Corporation repaid unsecured senior notes that had matured in an amount of \$63,685 (US\$50,000), and it issued new unsecured senior notes for the same amount at an annual rate of 4.64% and maturing in June 2032.
- (h) A term credit of \$27,195 bearing interest at a 5.21% annual rate was consolidated as at December 31, 2022 following the Intragaz purchase transaction (refer to Note 5). This term credit matured and was repaid in April 2023.

In April 2023, Intragaz entered into a term loan agreement for an amount of \$108,469, bearing interest at an annual rate of 4.84% and maturing in April 2033.

The maximum authorized amount of the term credit facilities secured by the first-ranking hypothecs of Énergir Inc.'s other Canadian subsidiaries is \$40,770 (\$40,770 in 2022).

- (i) The term credits bear interest at rates based on the bankers' acceptance rate, prime rate, or SOFR, adjusted according to the terms and conditions of the credit agreements. These borrowings are reported as noncurrent when Énergir Inc. has the intention and ability to refinance them for a period greater than one year.

As at September 30, 2023 and 2022, Énergir Inc. and its subsidiaries were in compliance with all of the requirements set out in the various trust deeds and term credit agreements governing long-term debt.

For fiscal years 2023 and 2022, financial and other expenses included the amortization of financing costs in amounts of \$2,067 and \$1,779, respectively.

17. OTHER NONCURRENT LIABILITIES

	2023	2022
Obligations related to GHG emission allowances	514,241	301,139
Liabilities related to DBP plans (Note 22)	60,417	65,967
Liabilities related to PRB plans (Note 22)	111,159	114,093
Deferred compensation liabilities of GMP and VGS	8,678	8,749
Customer deposits	20,019	17,757
Equity-accounted interest	1,270	—
Operating lease obligations ⁽¹⁾	12,411	14,126
Grants received in advance	32,080	44,109
Other	33,489	27,618
	793,764	593,558

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

18. 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

	2023	2022
Number of common shares as at September 30 (in thousands of common shares)	2,977	2,977

19. ADDITIONAL PAID-IN CAPITAL

In January 2023, Énergir, L.P. issued, by way of private placement, 9,260,869 new units at a price of \$23.00 per unit in favour of its two partners, according to their respective proportionate shares, for a total amount of \$213,000, i.e., \$151,230 for Énergir Inc. The amount of this issuance went towards restoring Énergir, L.P.'s capital structure through the repayment of a portion of its term credit as well as towards supporting its growth. As part of this transaction, Énergir Inc. received a \$151,230 capital injection from Noverco, then its direct shareholder, with no consideration of shares.

20. 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, 2022	259,274	(104,327)	(9,033)	(237)	1,222	146,899
Other comprehensive income (loss) before reclassifications to income	(24,068)	10,046	—	306	2,099	(11,617)
Income taxes (recovered)	—	(1,881)	—	(81)	(551)	(2,513)
Other comprehensive income (loss) reclassified to income	—	—	589	—	(182)	407
Income taxes (recovered)	—	—	(156)	—	48	(108)
	<u>(24,068)</u>	<u>8,165</u>	<u>433</u>	<u>225</u>	<u>1,414</u>	<u>(13,831)</u>
Balance as at September 30, 2023	<u>235,206</u>	<u>(96,162)</u>	<u>(8,600)</u>	<u>(12)</u>	<u>2,636</u>	<u>133,068</u>

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

21. SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

	Fiscal years ended September 30	
	2023	2022
Change in other operating assets and liabilities:		
Trade and other receivables	34,416	(47,737)
Inventories	63,093	(66,906)
Prepaid expenses	222	518
Accounts payable and accrued liabilities	(36,555)	44,298
Income taxes payable and receivable	1,746	(13,446)
	62,922	(83,273)
Other cash information:		
Interest paid	248,559	208,249
Income taxes paid	1,215	11,839

Accounts payable and accrued liabilities included an amount of \$63,880 as at September 30, 2023 related to the purchase of property, plant and equipment (\$42,045 in 2022). These transactions have no impact on cash and are therefore not reflected in the consolidated statements of cash flows.

22. EMPLOYEE FUTURE BENEFITS

Énergir Inc. maintains defined benefit pension plans and defined contribution pension plans that cover virtually all of its employees as well as deferred compensation plans that are not funded. For the defined contribution pension plans, employer contributions are based on employee contributions. The cost recognized for defined contribution pension plans was \$6,016 for the fiscal year ended September 30, 2023 and \$4,582 for the fiscal year ended September 30, 2022.

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

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

	Date of most recent actuarial valuation	Date of mandatory actuarial valuation
Énergir, L.P.	June 30, 2022	December 31, 2024
GMP	December 1, 2022	January 1, 2024
VGS	January 1, 2023	January 1, 2024

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, 2023 and 2022:

	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
	<u>DBP plans</u>	<u>DBP plans</u>	<u>PRB plans</u>	<u>PRB plans</u>
Change in projected benefit obligations				
Balance at beginning	1,083,799	1,374,724	154,570	228,632
Current service cost	21,988	35,675	4,421	7,505
Interest cost	53,688	37,734	7,332	6,546
Employee contributions	7,538	7,583	1,547	1,633
Other contributions and employee transfers	3,715	4,321	184	157
Benefits paid	(60,645)	(54,535)	(7,970)	(7,828)
Actuarial gains	(48,644)	(308,569)	(6,259)	(64,513)
Impact of plan amendments	—	—	(12,132)	(14,963)
Impact of the disposal of the plans and payments ⁽¹⁾	—	(13,909)	—	(6,022)
Impact of settlements	(44,025)	(22,246)	(14,101)	—
Impact of exchange rate fluctuations	(6,542)	23,021	(903)	3,423
Balance at end	<u>1,010,872</u>	<u>1,083,799</u>	<u>126,689</u>	<u>154,570</u>
Change in plan assets, at fair value				
Balance at beginning	1,059,972	1,182,618	58,029	68,471
Actual return on plan assets	29,015	(86,933)	5,214	(12,869)
Employer contributions	43,548	24,276	4,431	3,722
Employee contributions	7,538	7,583	1,547	1,633
Other contributions and employee transfers	3,715	4,321	—	—
Benefits paid	(60,645)	(54,535)	(7,970)	(7,828)
Impact of the disposal of the plans and payments ⁽¹⁾	—	(13,909)	—	—
Impact of settlements	(44,025)	(22,246)	(14,101)	—
Impact of exchange rate fluctuations	(5,205)	18,797	(1,150)	4,900
Balance at end	<u>1,033,913</u>	<u>1,059,972</u>	<u>46,000</u>	<u>58,029</u>
Funded status - Plan deficit	<u>23,041</u>	<u>(23,827)</u>	<u>(80,689)</u>	<u>(96,541)</u>
Presented as follows:				
Other noncurrent assets	83,458	42,140	30,470	17,552
Other noncurrent liabilities	(60,417)	(65,967)	(111,159)	(114,093)
	<u>23,041</u>	<u>(23,827)</u>	<u>(80,689)</u>	<u>(96,541)</u>

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

PLAN ASSETS

The following table shows the allocation of plan assets as at September 30, 2023 and 2022:

Asset categories	Target allocation (in %)	Percentage of plan assets (in %)	
		2023	2022
Fixed-income securities	35.0	35.8	38.8
Equity securities	65.0	64.2	61.2
	100.0	100.0	100.0

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.

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:

Asset categories	September 30, 2023				
	Level 1	Level 2	Level 3	Net asset value	Total
Cash and cash equivalents	6,946	—	—	—	6,946
Equity investments	46,014	9,565	—	—	55,579
Bond investments	68,323	103,289	—	—	171,612
Mutual fund units	39,160	630,651	—	176,853	846,664
Other ⁽¹⁾	(888)	—	—	—	(888)
	159,555	743,505	—	176,853	1,079,913
	September 30, 2022				
	Level 1	Level 2	Level 3	Net asset value	Total
Cash and cash equivalents	21,889	—	—	—	21,889
Equity investments	58,396	10,229	—	—	68,625
Bond investments	84,199	108,613	—	—	192,812
Mutual fund units	39,711	591,342	—	203,408	834,461
Other ⁽¹⁾	214	—	—	—	214
	204,409	710,184	—	203,408	1,118,001

⁽¹⁾ The Other asset category comprises amounts receivable of \$330 (\$28,729 in 2022) and expenses payable of \$1,218 (\$28,515 in 2022) 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 DBPs and PRBs:

	Fiscal years ended September 30			
	2023	2022	2023	2022
	DBP plans	DBP plans	PRB plans	PRB plans
Current service cost	21,988	35,675	4,421	9,155
Interest cost	53,688	37,734	7,332	6,546
Expected return on plan assets	(65,451)	(65,108)	(3,274)	(4,327)
Amortization of net actuarial losses (gains)	4,229	10,973	(917)	794
Amortization of past service costs	—	—	(1,015)	(230)
Impact of the disposal of the plans and payments	—	—	—	(6,022)
Net cost	<u>14,454</u>	<u>19,274</u>	<u>6,547</u>	<u>5,916</u>
Representing:				
Unrecognized revenue of QDA ⁽¹⁾	(8,421)	(18,662)	(2,894)	(1,924)
Recognized cost	<u>22,875</u>	<u>37,936</u>	<u>9,441</u>	<u>7,840</u>

⁽¹⁾ The unrecognized revenue of QDA's activities 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 7).

PRESENTATION OF THE RECOGNIZED COST ON THE CONSOLIDATED STATEMENTS OF INCOME

	Fiscal years ended September 30			
	2023	2022	2023	2022
	DBP plans	DBP plans	PRB plans	PRB plans
Operating and maintenance	30,862	44,351	6,587	7,174
Financial and other expenses	(7,987)	(6,415)	2,854	666
Recognized cost	<u>22,875</u>	<u>37,936</u>	<u>9,441</u>	<u>7,840</u>

During fiscal years 2022 and 2023, a significant number of retirees from GMP and VGS chose lump-sum payments, which required recognition of the settlement, which led to an actuarial remeasurement of the plans. This remeasurement led GMP to recognize additional pension costs of \$10,476 and \$4,365 for the fiscal years ended September 30, 2023 and 2022, respectively. As for VGS, the remeasurement led to additional pension costs of \$580 and \$805. These costs are recorded as RAL. For additional information, refer to Note 7.

COMPONENTS OF ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

	Fiscal years ended September 30			
	2023	2022	2023	2022
	DBP plans	DBP plans	PRB plans	PRB plans
Balance at beginning	(237)	(3,357)	—	(515)
Net actuarial gains during the fiscal year	306	2,379	—	1,270
Amortization of net actuarial (gains) losses	—	(4)	—	14
Impact of the disposal of the plans and payments (Note 4)	—	1,879	—	(588)
Income taxes (recovered)	(81)	(1,134)	—	(181)
Change in other comprehensive income	<u>225</u>	<u>3,120</u>	<u>—</u>	<u>515</u>
Balance at end	<u>(12)</u>	<u>(237)</u>	<u>—</u>	<u>—</u>

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

	Fiscal years ended September 30			
	2023	2022	2023	2022
	DBP plans	DBP plans	PRB plans	PRB plans
Net actuarial losses (gains)	23,404	48,149	(43,496)	(27,519)
Past service cost	—	—	(12,862)	(13,877)
First-time adoption of U.S. GAAP	(33,456)	(36,029)	56,497	60,842
Business acquisition	29,579	31,987	4,673	5,053
Budget variances	(11,464)	6,596	300	5,957
Total net regulatory assets	8,063	50,703	5,112	30,456

⁽¹⁾ For additional information on these RAL, refer to Note 7.

CASH FLOWS

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

	DBP plans	PRB plans
Expected employer contributions during the year:		
2024	30,750	3,630
Expected benefit payments:		
2024	56,293	5,441
2025	56,362	5,613
2026	58,043	5,730
2027	58,553	5,826
2028	59,445	5,913
2029-2033	295,049	32,554

MAIN ACTUARIAL ASSUMPTIONS

	2023	2022	2023	2022
	DBP plans (in %)	DBP plans (in %)	PRB plans (in %)	PRB plans (in %)
Projected benefit obligations at the measurement date				
Discount rate	5.71	5.20	5.00	5.21
Rate of compensation increase	2.75	2.75	2.75	2.75
Benefit cost for the 12-month period ended at the measurement date				
Discount rate	5.21	3.45	5.15	3.41
Expected long-term rate of return on plan assets	6.52	5.80	6.40	6.40
Rate of compensation increase	2.88	2.88	2.75	2.75

The assumed health care cost trend rates used to project the fiscal 2024 costs of the PRB plans are 6.5% for GMP and 4.5% for QDA. QDA's rate will increase until 2026 to reach 5.3% and will be maintained until 2030. The rates will decline gradually to 4.1% in 2040 for QDA and to 5.0% in 2029 for GMP and remain at those levels thereafter.

23. INCOME TAXES

	2023	2022
Income before income taxes	210,958	212,480
Current income taxes (recovered)	2,983	(2,119)
Deferred income taxes	34,270	26,388
Income taxes	37,253	24,269

In August 2022, the U.S. government passed the *Inflation Reduction Act of 2022*. This law introduces a minimum 15% tax applicable to certain businesses as well as green energy incentives. After analysis, Énergir Inc. has concluded that it is not subject to the minimum tax for the year ended September 30, 2023 and does not anticipate any significant impact on its consolidated financial statements.

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:

	2023	2022
Income before income taxes	210,958	212,480
Statutory income tax rate (in %)	26.5	26.5
Income taxes at statutory rate	55,904	56,307
Increase (decrease) attributable to the following:		
Portion of income from limited partnerships that is taxable to the non-controlling partner	(8,690)	(9,880)
Tax rate variance between jurisdictions	2,258	2,358
Deferred income taxes related to rate-regulated activities	(13,608)	(7,960)
Tax credits and additional capital cost allowance in Quebec	(2,179)	(7,989)
Impact of U.S. tax reform	(3,608)	(5,252)
Withholding tax on dividends	2,567	2,959
Deferred income taxes related to the outside-basis difference on the interest in Énergir, L.P.	3,781	(1,084)
Net impact of non-taxable items, permanent differences, and other items	828	(5,190)
Income taxes	37,253	24,269
Effective income tax rate (in %)	17.7	11.4

COMPONENTS OF DEFERRED INCOME TAXES

	2023	2022
Non-deductible allowances	36,733	32,315
Non-capital loss and tax credit carryforwards	123,956	123,372
Regulatory assets and liabilities	(29,554)	3,450
Property, plant and equipment and intangible assets	(442,110)	(414,192)
Employee future benefits	(3,621)	(677)
Derivative financial instruments	25,210	27,349
Investments	(394,358)	(406,861)
Other	123	1,306
	(683,621)	(633,938)
Valuation allowance (a)	(25,208)	(27,389)
Net deferred income tax liability	(708,829)	(661,327)

(a) As at September 30, 2023, a valuation allowance of \$25,208 was recognized (\$27,389 in 2022) with respect to a deferred tax asset on unrealized exchange losses on U.S.-dollar-denominated debt, given that it is more likely than not that Énergir Inc. will not be able to use the capital losses in the future.

Other deferred tax assets consist mainly of non-capital loss carryforwards and tax credit carryforwards that were realized by Énergir Inc.'s subsidiaries. These subsidiaries have deemed it more likely than not that they will be able to use their non-capital losses of \$222,599 (\$228,101 in 2022) before they expire, i.e., between 2033 and 2043, and tax credits of \$68,499 (\$67,298 in 2022) before they expire, i.e., between 2029 and 2043, taking into consideration reversals of taxable temporary differences and future taxable income.

24. SEGMENT INFORMATION

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

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

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

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

Energy Services, Storage and Other: This segment combines Énergir Inc.'s non-regulated commercial activities, in particular those related to the sale of liquefied natural gas as a fuel or energy product and related to power generation and transmission from a thermal power plant. This segment also includes the results of Intragaz's underground natural gas storage activities in Quebec (Note 5). Sale, leasing, and maintenance services for natural gas appliances were also included in this segment up to June 30, 2022 (Note 4).

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

ÉNERGIR INC.
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(in thousands of dollars)

Fiscal years ended September 30, 2023

	Energy Distribution			Natural Gas Transportation ⁽¹⁾	Electricity Production	Energy Services, Storage and Other	Corporate Affairs	Total
	QDA	Vermont ⁽¹⁾	Total					
	Revenues from external customers	1,926,819	1,229,711					
Intersegment revenues	48,964	617	49,581	5,131	—	16,384	(71,096)	—
Total revenues	1,975,783	1,230,328	3,206,111	5,131	—	119,476	(68,660)	3,262,058
Direct costs	1,281,789	754,036	2,035,825	—	—	—	—	2,035,825
Intersegment direct costs	24,192	—	24,192	—	—	44,922	(69,114)	—
Total direct costs	1,305,981	754,036	2,060,017	—	—	44,922	(69,114)	2,035,825
Gross margin	669,802	476,292	1,146,094	5,131	—	74,554	454	1,226,233
Operating and maintenance expenses	291,143	269,666	560,809	877	—	37,159	32,334	631,179
Intersegment operating and maintenance expenses	3,076	1,018	4,094	927	146	1,855	(7,022)	—
Share in the earnings of equity-accounted interests	—	106,337	106,337	54,580	11,048	1,052	(66)	172,951
Amortization	200,955	116,063	317,018	812	—	10,406	—	328,236
Interest on long-term debt	43,317	59,374	102,691	804	—	2,719	129,945	236,159
Financial and other expenses, net	(11,169)	5,778	(5,391)	291	(72)	(1,386)	(790)	(7,348)
Income (loss) before income taxes	142,480	130,730	273,210	56,000	10,974	24,853	(154,079)	210,958
Income taxes (recovered)	21,759	29,712	51,471	7,770	1,400	2,561	(25,949)	37,253
Net income (loss)	120,721	101,018	221,739	48,230	9,574	22,292	(128,130)	173,705
Net income (loss) attributable to:								
The shareholder	79,399	71,294	150,693	34,242	2,918	13,182	(104,472)	96,563
Non-controlling interests	41,322	29,724	71,046	13,988	6,656	9,110	(23,658)	77,142
Purchases of property, plant and equipment	243,781	207,440	451,221	1,789	—	19,550	—	472,560
Equity-accounted interests	—	946,488	946,488	306,474	42,798	—	—	1,295,760
Property, plant and equipment	2,667,905	2,620,199	5,288,104	26,433	3	303,002	—	5,617,542
Goodwill	75,057	411,484	486,541	273	—	62,310	—	549,124
Total assets	4,758,524	4,893,655	9,652,179	343,592	44,413	464,699	(12,646)	10,492,237

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

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(in thousands of dollars)

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	Energy Distribution			Natural Gas Transportation ⁽¹⁾	Electricity Production	Energy Services, Storage and Other	Corporate Affairs	Total
	QDA	Vermont ⁽¹⁾	Total					
Revenues from external customers	1,759,434	1,175,632	2,935,066	—	—	108,707	1,431	3,045,204
Intersegment revenues	46,802	700	47,502	4,087	—	1,387	(52,976)	—
Total revenues	1,806,236	1,176,332	2,982,568	4,087	—	110,094	(51,545)	3,045,204
Direct costs	1,182,539	724,346	1,906,885	—	—	4,104	—	1,910,989
Intersegment direct costs	5,404	—	5,404	—	—	46,461	(51,865)	—
Total direct costs	1,187,943	724,346	1,912,289	—	—	50,565	(51,865)	1,910,989
Gross margin	618,293	451,986	1,070,279	4,087	—	59,529	320	1,134,215
Operating and maintenance expenses	282,424	240,610	523,034	837	81	42,750	23,522	590,224
Intersegment operating and maintenance expenses	700	—	700	804	313	2,025	(3,842)	—
Share in the earnings of equity-accounted interests	—	92,559	92,559	53,828	17,033	4,638	(30)	168,028
Amortization	163,037	124,012	287,049	749	—	9,241	—	297,039
Interest on long-term debt	38,867	51,855	90,722	291	—	266	103,304	194,583
Financial and other expenses, net	1,308	7,021	8,329	628	(14)	(154)	(872)	7,917
Income (loss) before income taxes	131,957	121,047	253,004	54,606	16,653	10,039	(121,822)	212,480
Income taxes (recovered)	13,763	19,874	33,637	7,888	2,684	2,175	(22,115)	24,269
Net income (loss)	118,194	101,173	219,367	46,718	13,969	7,864	(99,707)	188,211
Net income (loss) attributable to:								
The shareholder	79,923	71,454	151,377	33,169	4,031	2,731	(81,726)	109,582
Non-controlling interests	38,271	29,719	67,990	13,549	9,938	5,133	(17,981)	78,629
Purchases of property, plant and equipment	179,830	159,078	338,908	3,339	—	9,894	—	352,141
Equity-accounted interests	—	951,711	951,711	303,159	36,886	84,424	(318)	1,375,862
Property, plant and equipment	2,490,663	2,553,741	5,044,404	25,840	3	171,703	—	5,241,950
Goodwill	75,057	419,122	494,179	273	—	16,146	—	510,598
Total assets	4,222,328	5,082,696	9,305,024	329,911	38,100	335,505	3,167	10,011,707

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

25. RELATED PARTY TRANSACTIONS

Intragaz provided natural gas storage services to QDA totalling \$4,516 for the three-month period ended December 31, 2022 (\$18,145 for the fiscal year ended September 30, 2022). These services are presented as Direct costs in the consolidated statement of income. As at January 1, 2023, following the acquisition of Intragaz's shares and units (refer to Note 5), these transactions were eliminated upon consolidation.

During fiscal 2023, Transco provided GMP with electricity transmission services totalling \$40,212 (\$32,197 in 2022). These services are presented as Direct costs in the consolidated statement of income.

As at September 30, 2023 and 2022, the balance of subordinated debentures payable to the shareholder was \$892,798. During fiscal 2023, the interest on these subordinated debentures recognized in Énergir Inc.'s consolidated statement of income was \$67,975 (\$56,278 in 2022). Interest payable stood at \$16,994 (\$14,070 as at September 30, 2022) and was presented in the Accounts payable and accrued liabilities item of the consolidated balance sheet.

During fiscal 2023, CDPQ Global Infrastructure Inc. provided management services totalling \$6,306 (\$4,283 in 2022) to Énergir, L.P. These fees are reported in the Operating and maintenance item of the consolidated statement of income.

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.

26. FINANCIAL INSTRUMENTS

NON-DERIVATIVE FINANCIAL INSTRUMENTS

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

The fair value of long-term debt, including current portions, is based on future cash flows discounted at interest rates that Énergir Inc. could have obtained on the consolidated balance sheet dates for borrowings with similar conditions and maturity dates. The fair value of long-term debt, with a carrying amount of \$5,586,662, was \$4,958,851 as at September 30, 2023 (\$5,344,388 and \$5,076,165, respectively, as at September 30, 2022).

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

DERIVATIVE FINANCIAL INSTRUMENTS

Fair value of derivative financial instruments

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

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

	September 30, 2023		September 30, 2022	
	Assets	Liabilities	Assets	Liabilities
Derivative instruments designated as net investment hedges				
Cross-currency swaps (a)	—	4,869	—	6,673
Total	—	4,869	—	6,673
Derivative instruments not designated as hedges (b)				
Forward exchange contracts	139	—	610	—
Instruments related to natural gas:				
Fixed-price swaps	—	4,719	8,856	3,108
RNG fixed-price purchase contract (c)	2,290	—	—	—
Instruments related to electricity:				
Power purchase agreements (d)	40,092	236,065	565,736	38,402
Total	42,521	240,784	575,202	41,510
Total derivative instruments	42,521	245,653	575,202	48,183
Portions presented on the consolidated balance sheets				
Current	15,092	18,070	272,652	3,108
Noncurrent	27,429	227,583	302,550	45,075
Total	42,521	245,653	575,202	48,183

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

(b) These derivative financial instruments are related to rate-regulated activities, and the offsetting entry of the remeasurements is recognized as RAL on the consolidated balance sheets. Accordingly, no gain or loss has been recorded in income or in other comprehensive income under the regulatory treatment. Refer to Note 7.

(c) During fiscal 2023, the VPUC authorized VGS to enter into a renewable natural gas ("RNG") fixed-price purchase contract denominated in U.S. dollars. VGS concluded that this RNG purchase contract did not meet the normal purchases and normal sales criteria due to an option permitting the resale of RNG on the market. As a result, VGS recognizes this contract at fair value.

(d) These financial instruments are related to GMP's power purchase agreements that do not satisfy normal purchases and normal sales criteria given that power supply was exceeding demand. As a result, GMP recognizes these derivative contracts at fair value.

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

	September 30, 2023	September 30, 2022
Instruments related to exchange rates:		
Cross-currency swaps (in thousands of dollars)	200,000	200,000
Forward exchange contracts (in thousands of dollars)	2,701	8,777
Instruments related to natural gas:		
Fixed-price swaps (in thousands of gigajoules)	5,917	5,891
RNG fixed-price purchase contract (in dekatherms)	4,050	—
Instruments related to electricity:		
Power purchase agreements (in thousands of megawatthours)	36,627	39,399

Fair value hierarchy of derivative financial instruments

As at September 30, 2023, the fair values of all derivative financial instruments were measured according to Level 2, except for the RNG fixed-price purchase contract and certain power purchase agreements. The measurement of these agreements is classified as Level 3, since the valuation technique uses significant unobservable assumptions concerning forward prices on the electric power and RNG markets. The fair values of these derivative financial instruments were calculated using discounted future cash flows.

As at September 30, 2023, the fair values of Level 3 derivative financial instruments were measured using the assumptions presented in the table below. The weighted averages were calculated based on the relative quantity of contracted power of each contract:

	Risk-free rate (in %)	Weighted average risk- free rate (in %)	Discount rate (in %)	Forward price	Weighted average forward price
RNG fixed-price purchase contract	4.56 to 5.45	4.75	5.67	US\$10.95/Dth to US\$35.28/Dth	US\$19.06/Dth
Power purchase agreements	3.56 to 5.33	4.31	5.11	US\$28.58/MWh to US\$170.52/MWh	US\$62.60/MWh

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	
	2023	2022
Balance at beginning	527,334	(224,135)
Change in fair value related to unrealized gains (losses)	(599,368)	665,960
Change in fair value related to unrealized gains on additions of derivative instruments	1,372	—
Translation adjustments of foreign operations	(7,532)	37,022
Transfers from Level 2 to Level 3 (a)	—	48,487
Transfers from Level 3 to Level 2 (b)	(128,346)	—
Balance at end	(206,540)	527,334

- a) In 2022, given market fluctuations that caused significant differences in the price assumptions used in the valuation techniques, all of the power purchase agreements were classified in Level 3.
- b) In 2023, certain power purchase agreements were reclassified to Level 2, as their maturities were sufficiently close to no longer require extrapolation.

27. FINANCIAL INSTRUMENT RISK MANAGEMENT

OVERVIEW OF RISK MANAGEMENT

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

MARKET RISK

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

Exchange rate risk

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

As at September 30, 2023, a 5% appreciation (depreciation) of the U.S. dollar versus the Canadian dollar would have had a negative (positive) impact of \$1,340 on Énergir Inc.'s consolidated net income and of \$20,632 on its consolidated comprehensive income.

Interest rate risk

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

Énergir Inc. is exposed to interest rate risk on its bank loans and on the floating rate portion of its long-term debt. 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, 2023, with all other variables being constant, a 100-basis-point increase in interest rates would have reduced consolidated net income by approximately \$8,782 and a 100-basis-point decrease in interest rates would have increased consolidated net income by approximately \$8,824.

Energy cost risk

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

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. The current inflationary environment could increase the possibility of counterparty defaults. Énergir Inc. is monitoring the situation and its impacts on credit risk. The maximum counterparty credit risk exposure is the carrying amount of the financial instruments reported in assets on the consolidated balance sheets.

The aging of the trade accounts receivable is presented below:

	2023	2022
Less than 30 days	201,328	242,642
30 to 60 days	10,823	15,945
61 to 90 days	4,834	4,194
Over 90 days	21,199	33,488
	238,184	296,269
Less: Allowance for doubtful accounts	(11,531)	(21,096)
	226,653	275,173

Trade and other receivables credit concentration is limited given the diversity and large number of customers. Credit risk from trade and other receivables is partly offset through various means, including obtaining security deposits from customers in circumstances permitted by regulatory agencies. As at September 30, 2023,

Énergir Inc. had short-term and long-term security deposits from customers amounting to \$26,590 compared to \$26,126 as at September 30, 2022.

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

As at September 30, 2023, most of the counterparties to derivative financial instruments had a high credit rating that was at least equivalent to that of Énergir Inc., and they meet Énergir Inc.'s credit assessment criteria.

LIQUIDITY RISK

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

28. 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 16), and (iii) any other debt, for a total amount not exceeding 1% of its consolidated total assets, all as defined in the trust deeds.

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

SUPPLY CONTRACTS

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

During the fiscal year ended September 30, 2023, in order to raise supply capacity, RNG supply contracts with terms of 10 to 20 years were entered into and approved by the regulatory agencies. Énergir, L.P.'s commitment over the term of these contracts is \$4,468,693 and has been included in the Energy supply item below.

ÉNERGIR INC.
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(in thousands of dollars)

As at September 30, 2023, the schedule of contractual commitments related to the different types of supply, for which the duration is more than one year, was as follows:

	2024	2025	2026	2027	2028	Subsequent fiscal years	Total
Energy supply	435,381	505,727	489,634	535,811	561,967	7,869,313	10,397,833
Transportation	259,544	255,671	241,192	163,171	153,088	533,185	1,605,851
Storage	30,116	24,575	21,603	21,603	21,603	108,015	227,515
Other	14,586	7,475	4,305	2,759	2,035	—	31,160
Total	739,627	793,448	756,734	723,344	738,693	8,510,513	12,262,359

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:

	2024	2025	2026	2027	2028	Subsequent fiscal years	Total
Leases	1,421	1,294	1,137	941	912	15,388	21,093

GUARANTEES

Énergir, L.P. issued letters of credit in an aggregate amount of \$22,117 to guarantee a portion of employee future benefits. If the letters of credit are not renewed, alternative solutions would have to be considered to guarantee Énergir, L.P.'s commitments vis-à-vis these employee future benefits.

Énergir Inc. and some of its subsidiaries issued, in the normal course of their operations, certain letters of credit totalling \$35,367 as at September 30, 2023 as well as financial guarantees for which the amounts cannot be reliably estimated.

As at September 30, 2023, 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.

29. 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 covered by appropriate insurance coverage or sufficient provisions. 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.

30. SUBSEQUENT EVENTS

These consolidated financial statements and accompanying notes reflect Énergir Inc.'s evaluation of events that have occurred between the balance sheet date and November 20, 2023, i.e., the date on which these consolidated financial statements were approved.

DECLARATION OF A DIVIDEND

On November 20, 2023, Énergir Inc.'s board of directors declared a dividend of \$28,000 payable to the shareholder on January 3, 2024.

31. COMPARATIVE INFORMATION

Certain prior year comparative information has been reclassified to conform with the current year's presentation.