Financial Statements of

EPCOR NATURAL GAS LIMITED PARTNERSHIP

Years ended December 31, 2021 and 2020

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
EPCOR Ontario Utilities Inc.

Opinion

We have audited the financial statements of EPCOR Natural Gas Limited Partnership (the Entity), which comprise the statement of financial position as at December 31, 2021, and the statement of comprehensive income (loss), statement of changes in equity and statement of cash flows for the years ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

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 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.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, 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 these 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.

We 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.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants

London, Ontario
April 14, 2022

EPCOR NATURAL GAS LIMITED PARTNERSHIP

Statements of Comprehensive Income (Loss)
(In thousands of Canadian dollars)

Years ended December 31, 2021 and 2020

	2021	2020
Revenue (note 6)	$ 16,431	$ 12,388
Operating expenses:		
Energy purchases	5,968	4,830
Staff costs and employee benefits expenses	1,780	1,644
Depreciation and amortization (note 7)	3,488	1,764
Other raw materials and operating charges	2,884	2,351
Franchise fees and property taxes	872	708
Other administrative expenses	3,034	2,959
	18,026	14,256
Operating (loss) income	(1,595)	(1,868)
Finance expenses (note 8)	(1,269)	(419)
Comprehensive (loss) income for the year - all attributable to the Partners	$ (2,864)	$ (2,287)

The accompanying notes are an integral part of these financial statements

EPCOR NATURAL GAS LIMITED PARTNERSHIP

Statements of Financial Position
(In thousands of Canadian dollars)

December 31, 2021 and 2020

	2021	2020
ASSETS		
Current assets:		
Cash	$ 5	$ 6
Trade and other receivables (note 9)	3,917	8,261
Prepaid expenses	29	2
Inventories	515	385
	4,466	8,654
Non-current assets:		
Property, plant and equipment (note 10)	117,917	96,429
Intangible assets (note 11)	1,137	1,162
Goodwill (note 11)	1,808	1,808
	120,862	99,399
TOTAL ASSETS	$ 125,328	$ 108,053

	2021	2020
LIABILITIES AND EQUITY		
Current liabilities:		
Trade and other payables (note 12)	$ 8,991	$ 18,208
Loans and borrowings (note 13)	209	-
Customer deposits	378	249
Deferred revenue (note 14)	538	384
Provisions (note 15)	165	96
Current portion of lease liabilities (note 16)	40	30
	10,321	18,967
Non-current liabilities:		
Loans and borrowings (note 13)	52,160	37,660
Deferred revenue (note 14)	22,787	23,533
Lease liabilities (note 16)	31	-
	74,978	61,193
Total liabilities	85,299	80,160
Equity attributable to the Partners:		
Partnership units (note 17)	45,360	30,360
Deficit	(5,331)	(2,467)
Total equity – attributable to the Partners	40,029	27,893
TOTAL LIABILITIES AND EQUITY	$ 125,328	$ 108,053

Approved on behalf of the EPCOR Ontario Utilities Inc. Board of Directors,

Stuart Lee
Director, EPCOR Ontario Utilities Inc.

John Elford
Director, EPCOR Ontario Utilities Inc.

The accompanying notes are an integral part of these financial statements

EPCOR NATURAL GAS LIMITED PARTNERSHIP
Statements of Changes in Equity
(In thousands of Canadian dollars)

December 31, 2021 and 2020

	Partnership Units (note 17)	Deficit	Equity attributable to the Partners
Equity at December 31, 2019	$ 25,360	$ (180)	$ 25,180
Equity contribution from the Partners (note 17)	5,000	-	5,000
Comprehensive income for the year	-	(2,287)	(2,287)
Equity at December 31, 2020	$ 30,360	$ (2,467)	$ 27,893
Equity contribution from the Partners (note 17)	15,000	-	15,000
Comprehensive loss for the year	-	(2,864)	(2,864)
Equity at December 31, 2021	$ 45,360	$ (5,331)	$ 40,029

The accompanying notes are an integral part of these financial statements

EPCOR NATURAL GAS LIMITED PARTNERSHIP

Statements of Cash Flows
(In thousands of Canadian dollars)

Years ended December 31, 2021 and 2020

	2021	2020
Cash flows from (used in) operating activities:		
Comprehensive (loss) income for the year	$ (2,864)	$ (2,287)
Reconciliation of comprehensive (loss) income for the year to cash from (used in) operating activities:		
Interest paid (net)	(1,269)	(419)
Finance expenses (net)	1,269	419
Depreciation and amortization (note 7)	3,455	1,764
Loss (gain) on disposal of property, plant and equipment	33	-
Contribution adjustments (note 14)	255	18,357
Deferred revenue recognized (note 14)	(456)	(143)
Change in employee benefits provisions (note 15)	69	18
Net cash flows from operating activities before non-cash operating working capital changes	492	17,709
Changes in non-cash operating working capital (note 18)	(5,353)	6,264
Net cash flows from operating activities	(4,861)	23,973
Cash flows from (used in) investing activities:		
Acquisition or construction of property, plant and equipment[1] (note 10)	(25,279)	(38,123)
Acquisition of intangible assets (note 11)	(87)	(84)
Proceeds from sale of property, plant and equipment	105	-
Change in non-cash investing working capital (note 18)	452	1,060
Net cash flows used in investing activities	(24,809)	(37,147)
Cash flows from (used in) financing activities:		
Net (repayment) issuance of short-term loans and borrowings (note 19)	209	(21,725)
Proceeds from issuance of long-term loans and borrowings (note 19)	14,500	29,000
Payments of lease liabilities (note 19)	(40)	(39)
Equity contribution from the Partners (note 17)	15,000	5,000
Net cash flows from financing activities	29,669	12,236
Change in cash and cash equivalents	(1)	(938)
Cash and cash equivalents, beginning of year	6	944
Cash and cash equivalents, end of year	$ 5	$ 6

1 Interest payments of $237 (2020 - $531) have been capitalized and included in acquisitions and construction of property, plant and equipment (PP&E).

The accompanying notes are an integral part of these financial statements

1. Description of business

(a) Nature of operations

EPCOR Natural Gas Limited Partnership (the Partnership) provides natural gas distribution service through its general partner EPCOR Ontario Utilities Inc. (the General Partner or EOUI) and operates within Southwestern Ontario under franchise agreements that are approved by the Ontario Energy Board (OEB).

The Partnership was formed on November 4, 2016 pursuant to a Certificate of Limited Partnership and a limited partnership agreement entered into between the General Partner and EPCOR Commercial Services Inc. (the Limited Partner) dated as of November 4, 2016 and operates in Ontario with its registered head office located at 77 King Street West, Suite 400, Toronto, Ontario M5K 0A1.

The Partnership is a limited partnership registered in Canada and is managed by the General Partner. Although the General Partner holds legal title to the assets, the Partnership is the beneficial owner and assumes all the risks and rewards of the assets.

The Partnership is indirectly 100% owned by EPCOR Utilities Inc. (EPCOR).

The Partnership operates two divisions that are geographically separated in Southwestern Ontario, referred to respectively as Aylmer (Aylmer Operations) and Southern Bruce (Southern Bruce Operations). The EPCOR Natural Gas Limited Partnership Financial Statements present the financial position, comprehensive income, change in equity and cash flows of both divisions.

(b) Rate regulation

The Partnership's Operations are regulated by the OEB pursuant to *The Ontario Energy Board Act* (Ontario), *The Energy Act* (Ontario) and regulations made under those statutes. The OEB administers these acts and regulations regarding tariffs, rates, construction, financing, operations, accounting and service area. Revenue rate schedules are approved periodically by the OEB and are designed to permit a fair and reasonable return to the Partnership on the utility investment. Realization of the allowed rate of return is subject to actual operating conditions experienced during the year.

Regulatory risk is the risk that the Province and its regulator, the OEB, could establish a regulatory regime that imposes conditions that restrict the natural gas distribution business from achieving an acceptable rate of return that permits financial sustainability of its operations, including the recovery of expenses incurred for the benefit of other market participants in the natural gas industry such as transition costs and other regulatory assets. All requests for change in natural gas distribution charges require the approval of the OEB.

Regulatory developments in Ontario's natural gas industry, including current and possible future consultations between the OEB and interested stakeholders, may affect distribution rates and other permitted recoveries in the future. The Aylmer Operations are subject to a cost of service regulatory mechanism under which the OEB establishes the revenues required (i) to recover the forecast operating costs, including depreciation and amortization and income taxes, of providing the regulated service, and (ii) to provide a fair and reasonable return on utility investment, or rate base. As actual operating conditions may vary from forecast, actual returns achieved can differ from approved returns. The current cost of service rates are applicable through 2024. The Aylmer Operations' rates change annually based on a formula comprised of the following factors: inflation factor, productivity factor, and stretch factor. In addition and in limited circumstances, the Aylmer Operations has the ability to apply for supplementary funding for certain capital additions.

The Southern Bruce Operations are subject to a cumulative revenue regulatory mechanism under which the OEB establishes the revenues for a 10-year rate stability period. Southern Bruce Operations' rate stability period ends in December 2028. The Southern Bruce Operations' rates change annually based on a formula comprised of the following factors: inflation factor and stabilization factor.

The Partnership did not adopt IFRS 14 – *Regulatory Deferral Accounts* during the Partnership's initial adoption of IFRS.

2. Basis of presentation

(a) Statement of compliance

These financial statements have been prepared by management in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board and Interpretations of the International Financial Reporting Interpretations Committee, and effective on December 31, 2021 and 2020. These financial statements were approved and authorized for issue by the Board of Directors of EOUI on April 14, 2022.

(b) Basis of measurement

The Partnership's financial statements are prepared on the historical cost basis.

(c) Functional and presentation currency

These financial statements are presented in Canadian dollars and all rounded to the nearest thousand dollars, except where otherwise stated.

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all years presented in these financial statements unless otherwise indicated.

(a) Changes in significant accounting policies

The Partnership has adopted amendments to various accounting standards effective January 1, 2021, which did not have significant impact on these financial statements.

(b) Revenue recognition

The Partnership recognizes revenue when it transfers control over a promised good or service, a performance obligation under the contract, to a customer and where the Partnership is entitled to consideration resulting from completion of the performance obligation. Depending on the terms of the contract with the customer, revenue recognition can occur at a point in time or over time. When a performance obligation is satisfied, revenue is measured at the transaction price that is allocated to that performance obligation. For contracts where non-cash consideration is received, revenue is recognized and measured at the fair value of the non-cash consideration.

Customer contracts may include the transfer of multiple goods and services. Where the Partnership determines that the multiple goods and services are not distinct performance obligations, they are treated as single performance obligation.

Revenues are classified as natural gas sales and provision of services depending on the nature of each distinct performance obligation.

Contract costs for obtaining a customer contract are expensed as incurred unless they create an asset related to future contract activity that the Partnership expects to recover.

Significant judgement may be required to determine the number of distinct performance obligations within a contract and the allocation of transaction price to multiple performance obligations in a contract, and to determine whether the Partnership acts as a principal or agent for certain performance obligations. When multiple performance obligations are identified in a contract, the transaction price is allocated based on the stand-alone selling price of each performance obligation. If stand-alone selling price is not observable, the Partnership estimates the stand-alone selling price for each distinct performance obligation based on the related expected cost plus margin. The Partnership is acting as a principal when the Partnership controls the goods or services before transfer to the customer. The Partnership is acting as an agent when it is obliged to arrange for the provision of the goods and services by another party, that are not controlled by the Partnership before transfer to the customer. When the Partnership acts as an agent, the revenue is recognized net of any related costs incurred.

The Partnership's principal sources of revenue and methods applied to the recognition of these revenues in these financial statements are as follows:

3. Significant accounting policies (continued)

(b) Revenue recognition (continued)

Natural gas sales

The contracts with customers for the supply of natural gas consist primarily of perpetual contracts that are effective until terminated by the customer or the Partnership. The Partnership also has entered into fixed term contracts with some industrial customers to deliver gas over the specified term of the contract. The Partnership provides a series of distinct goods, which are simultaneously received and consumed by the customers. Each of the performance obligations is satisfied over time using the output method for recognition of revenue, i.e. the units of each good supplied to the customer.

Revenues are calculated based on the customer's usage of the goods during the period, at the applicable rates as per the terms of the respective contracts. Customers are generally billed on a monthly basis and payment is generally due within 30 days of billing the customer.

Provision of services

The contracts with customers for each of natural gas transmission and distribution services consist primarily of perpetual contracts that are effective until terminated by the customer or the Partnership. The Partnership has also entered into fixed term contracts with some industrial customers to deliver gas over the specified term of the contract. The Partnership provides a series of distinct services, which are simultaneously received and consumed by the customers. Each of the performance obligations is satisfied over time using the output method for recognition of revenue, i.e. quantifiable services rendered to the customer.

Revenues are calculated based on the services provided to the customer during the period, at the applicable rates as per the terms of the respective contracts. These revenues include an estimate of the value of services provided to the customers in the reporting period and billed subsequent to the reporting period. Customers are billed generally within a month and payment is generally due within 30 days of billing the customer.

(c) Income taxes

As a limited partnership, the Partnership is not taxed at the entity level under the Canadian Income Tax Act. All income tax consequences of its operations are borne by its Partners, on a pro rata basis, in proportion to their interest in the Partnership.

(d) Inventories

Small parts and other consumables, the majority of which are consumed by the Partnership in the provision of its goods and services to customers, and natural gas inventories are valued at the lower of cost and net realizable value. Cost includes the purchase price, transportation costs and other costs to bring the inventories to their present location and condition. The costs of inventory items that are interchangeable are determined on an average cost basis. For inventory items that are not interchangeable, cost is assigned using specific identification of their individual costs. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale. Previous write-downs of inventories from cost to net realizable value can be fully or partially reversed if supported by economic circumstances. The Partnership estimates the value of inventory that is expected to be used in the construction of property, plant and equipment (PP&E) and reports this value as construction work in progress under PP&E.

(e) Leases

At the inception of a contract, the Partnership determines whether a contract is, or contains a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

3. Significant accounting policies (continued)

(e) Leases (continued)

As a lessee

On initial identification of a lease contract, the Partnership recognizes a right-of-use (ROU) asset and a lease liability at the commencement of the lease contract. The lease liability is initially measured at the present value of the future unavoidable lease payments under the contract, discounted using the interest rate implicit in the lease contract. Where the implicit rate cannot be readily determined, the Partnership uses its incremental borrowing rate. Lease payments include fixed payments including in-substance fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, the exercise price of a purchase option or optional renewal period that the Partnership is reasonably certain to exercise and penalties for early termination of a lease contract unless the Partnership is reasonably certain not to terminate early. Subsequently, the lease liability is measured at amortized cost, using the effective interest method. The lease liability is re-measured to reflect any reassessments or lease modifications. Lease payments are allocated between the principal repayment of the lease liability and finance expense. The finance expense on the lease liability is charged to net income over the term of the lease contract to produce a constant periodic rate of interest on the remaining balance of the lease liability for each period.

The ROU asset is initially measured at cost which includes the initial lease liability, any lease payments made at or before commencement date less any lease incentives received, any initial direct costs and restoration costs. The ROU assets are depreciated on a straight-line basis over the shorter of the respective asset's useful life and the remaining term of the lease contract. The ROU assets are subsequently re-measured to reflect any reassessments or lease modifications. At each reporting date, ROU assets are reviewed for indications of impairment. In case it is determined that indications of impairment exist, the recoverable amount is estimated for ROU assets, which is the greater of value in use and fair value the Partnership expects to recover from sub-lease of the asset.

The Partnership presents lease liabilities within liabilities and ROU assets within PP&E in the statements of financial position.

The Partnership has elected not to recognize ROU assets and lease liabilities for lease contracts where the total term of the respective lease contract is less than or equal to 12 months or for low value lease contracts. The Partnership recognizes the payments relating to such leases (including principal and interest associated with these leases) as an expense on a straight-line basis over the lease term. These payments are presented within other administrative expense in net income.

(f) Property, plant and equipment

PP&E are recorded at cost, net of accumulated depreciation and accumulated impairment losses, if any.

Cost includes contracted services, materials, direct labor and directly attributable overhead costs on qualifying assets. Where parts of an item of PP&E have different estimated useful lives, they are accounted for as separate items (major components) of PP&E.

The cost of major inspections and maintenance is recognized in the carrying amount of the item if the asset recognition criteria are satisfied. The carrying amount of a replaced part is derecognized. The costs of day-to-day servicing are expensed as incurred. The cost of a group of PP&E acquired in a transaction, including those acquired in a business combination, is allocated to the individual assets acquired based on their fair value.

Depreciation of cost less residual value is charged on a straight-line basis over the estimated useful lives of items of each depreciable component of PP&E, from the date they are available for use, as this most closely reflects the expected usage of the assets. Land and construction work in progress are not depreciated. Estimating the appropriate useful lives of assets requires judgment and is generally based on estimates of life characteristics of similar assets. The estimated useful lives, methods of depreciation and residual values are reviewed annually with any changes adopted on a prospective basis.

3. Significant accounting policies (continued)

(f) Property, plant and equipment (continued)

The ranges of estimated useful lives for PP&E assets used are as follows:

Building and hardware	2 – 52 years
Machinery and equipment	6 – 15 years
Natural Gas distribution	6 – 51 years
Right-of-use assets	2 years

Gains or losses on the disposal of PP&E are determined as the difference between the net disposal proceeds and the carrying amount at the date of disposal.

(g) Capitalized borrowing costs

The Partnership capitalizes interest during construction of a qualifying asset using the weighted average cost of debt incurred on EPCOR's external borrowings or specific borrowings used to finance qualifying assets. Qualifying assets are considered those that take a substantial period of time to construct.

(h) Intangible assets

Intangible assets with finite lives are stated at cost, net of accumulated amortization and impairment losses, if any. The cost of a group of intangible assets acquired in a transaction, including those acquired in a business combination that meet the specified criteria for recognition apart from goodwill, is allocated to the individual assets acquired based on their relative fair value.

The cost of intangible software includes the cost of license acquisitions, contracted services, materials, direct labor, and directly attributable overhead costs on qualifying assets.

Other rights represent the costs to acquire Franchise rights. Other rights are recorded at cost at the date of acquisition. Subsequent expenditures are capitalized only when it increases the future economic benefit in the specific asset to which it relates.

Amortization of the cost of finite life intangible assets is recognized on a straight-line basis over the estimated economic useful lives of the assets, from the date they are available for use, as this most closely reflects the expected usage of the asset. Work in progress is not amortized. The estimated economic useful lives and methods of amortization are reviewed annually with any changes adopted on a prospective basis.

The estimated economic useful lives for intangible assets with finite lives are as follows:

Software	10 years
Other rights	20 years

Gains or losses on the disposal of intangible assets are determined as the difference between the net disposal proceeds and the carrying amount at the date of disposal.

(i) Deferred revenue

Certain assets may be contributed by customers or constructed using non-refundable cash contributions from customers. Non-refundable customer contributions received towards construction or acquisition of an item of PP&E, which are used to provide ongoing goods or services to these customers, are recorded as deferred revenue. Deferred revenue is initially recorded at the fair value of contributed assets, or the amount of cash contributions received, and is recognized as revenue on a straight-line basis over the shorter of estimated lives of the respective contracts with the customers or the useful life of the related asset. Where contracts with customers are perpetual and the related contributed asset is used to provide ongoing goods or services to customers, the life of the contract is estimated to be equivalent to the useful life of the asset to which the contribution relates.

Certain assets are acquired or constructed using non-refundable government grants. Government grants are recorded as deferred revenue and are recognized as revenue on a straight-line basis over the estimated useful lives of the assets to which they relate.

3. Significant accounting policies (continued)

(j) Provisions

A provision is recognized if, as a result of a past event, the Partnership has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognized as a finance expense over the estimated period until settlement of the obligation.

(k) Non-derivative financial instruments

Financial assets and financial liabilities are identified and classified as measured at amortized cost.

Financial assets and financial liabilities are presented on a net basis when the Partnership has a legally enforceable right to offset the recognized amounts and intends to settle on a net basis or to realize the asset and settle the liability simultaneously.

Recognition and Measurement

Cash and trade and other receivables are classified as financial assets measured at amortized cost.

These financial assets are recognized initially at fair value plus directly attributable transaction costs, if any. After initial recognition, they are measured at amortized cost using the effective interest method less any impairment as described in note 3(l). The effective interest method calculates the amortized cost of a financial asset and allocates the finance income over the term of the financial asset using an effective interest rate. The effective interest rate is the rate that discounts estimated future cash receipts through the expected life of the financial asset, or a shorter period when appropriate, to the gross carrying amount of the financial asset.

The Partnership's trade and other payables, customer deposits and loans and borrowings are classified as financial liabilities measured at amortized cost and are recognized on the date at which the Partnership becomes a party to the contractual arrangement. Financial liabilities are initially recognized at fair value, plus directly attributable transaction costs, if any. Subsequently, these liabilities are measured at amortized cost using the effective interest rate method.

Derecognition

Financial liabilities are derecognized when the contractual obligations are discharged, cancelled or expire.

(l) Impairment of financial assets

The Partnership uses the "expected credit loss" (ECL) model for calculating impairment and recognizes ECL as a loss allowance for financial assets measured at amortized cost.

For trade receivables without a significant financing component, the Partnership applies the simplified approach and uses a provision matrix that is based on the Partnership's historical credit loss experience, current market conditions and forward-looking information, to estimate and recognize the lifetime ECL. Trade and other receivables that are not assessed for impairment individually are assessed for impairment on a collective basis taking into consideration the unique risk factors associated with each customer group.

(m) Impairment of non-financial assets

The carrying amounts of the Partnership's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. Non-financial assets include PP&E, intangible assets and goodwill. For PP&E and intangible assets with definite useful lives, the recoverable amount is estimated when an indication of impairment exists. For goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated at least once each year.

3. Significant accounting policies (continued)

(m) Impairment of non-financial assets (continued)

The recoverable amount of an asset or cash-generating unit (CGU) is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using an pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are tested as a CGU. CGU's are the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets. For the purposes of goodwill impairment testing, goodwill acquired in a business combination is allocated to the CGU, or the group of CGUs, that is expected to benefit from the synergies of the combination. This allocation is subject to an operating segment ceiling test and reflects the lowest level at which that goodwill is monitored for internal reporting purposes.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in comprehensive income. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amount of the assets in the unit or the group of units on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other non-financial assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a fundamental change, since the date of impairment, which may improve the financial performance of the non-financial asset. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(n) Standards and interpretations not yet applied

A number of new standards, amendments to standards and interpretations of standards have been issued by the International Accounting Standards Board and the International Financial Reporting Interpretations Committee, the application of which is effective for periods beginning on or after January 1, 2022. The Partnership does not expect the implementation of these new accounting pronouncements to have a significant impact on its accounting policies.

4. Use of judgments and estimates

The preparation of the Partnership's financial statements in accordance with IFRS requires management to make judgments in the application of accounting policies, and estimates and assumptions that affect the reported amounts of income, expenses, assets and liabilities as well as the disclosure of contingent assets and liabilities at the date of the financial statements.

(a) Judgments

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are included in notes:
Note 3(b) - Revenue recognition
Note 3(j) - Provisions

(b) Estimates

The Partnership reviews its estimates and assumptions on an ongoing basis, uses the most current information available and exercises careful judgment in making these estimates and assumptions. Adjustments to previous estimates, which may be material, are recorded in the period in which they become known. Actual results may differ from these estimates.

Assumptions and uncertainties that have a significant risk of resulting in a material adjustment within the next financial year include:

(In thousands of Canadian dollars unless otherwise indicated)

4. Use of judgments and estimates (continued)

(b) Estimates (continued)

Revenues and natural gas purchases

Accounting estimates were made in determining revenue recognized for unbilled customer consumption, which estimates usage using volumes of natural gas entering into the distribution system.

Property, plant and equipment and Intangible assets

Estimating the appropriate economic useful lives of assets requires significant judgment and is generally based on estimates of life characteristics of similar assets.

Fair value measurement

Certain accounting measures such as determining asset impairments and recording financial assets and liabilities use various valuation techniques to determine fair value. Estimates of fair value may be based on readily determinable market values or depreciable replacement cost or discounted cash flow techniques employing estimated future cash flows based on a number of assumptions and using an appropriate discount rate.

5. Novel coronavirus

In March 2020, the global outbreak of the novel coronavirus (COVID-19) was declared a pandemic by the World Health Organization and continues to disrupt business activities including supply chains around the world. In order to manage the impacts of the outbreak, local governmental authorities in Ontario have regularly been monitoring and responding to the emerging situation with maintaining certain travel and business related restrictions. Since the beginning of the pandemic, the Partnership has been operating under its business continuity plan to ensure safety of its employees and customers. In view of the uncertainty caused by the continued persistence of virus infections, the Partnership has deferred its plans for re-integration of the employees back to their permanent work locations. The Partnership is closely monitoring the situation (including advisories from the local governments), and planning to cautiously phase-in the reintegration of its employees back to their permanent work locations when considered safe to do so.

Since the Partnership's operations consist of the provision of essential utility services, the Partnership has not experienced any significant impact of COVID-19 on its operations and financial results. Overall, the COVID -19 pandemic did not result in any material impact on the financial results of the Company for the years ended December 31, 2021 and 2020.

6. Revenues

	2021	2020
Natural gas sales	$ 6,076	$ 4,727
Provision of services	10,355	7,661
	$ 16,431	$ 12,388

Revenue from contracts with customers expected to be recognized in future periods related to performance obligations that are unsatisfied or partially satisfied at the reporting date are as follows:

	2022	2023	2024	2025	2026	2027 and thereafter	Total
Contract liabilities - contributions received from customers and developers[1]	$ 538	$ 538	$ 538	$ 538	$ 538	$ 20,635	$ 23,325
Total	$ 538	$ 538	$ 538	$ 538	$ 538	$ 20,635	$ 23,325

(In thousands of Canadian dollars unless otherwise indicated)

6. Revenues (continued)

1 At December 31, 2021, the Partnership had $23,325 (2020 – $23,917) of deferred revenue recorded in the statements of financial position related to contributions received from customers and developers. Revenue will be recognized in future periods related to this balance, as described in note 3(i), over periods ranging from 10 to 50 years.

The Partnership has numerous contracts with customers for supply of natural gas. The contracts are primarily perpetual with no agreed fixed term and can be terminated at any time either by customer or by the Partnership. The Partnership has also entered into fixed term contracts with some industrial customers. Under the terms of the contracts, in case of termination of these contracts, the Partnership has the right to receive payment for the performance completed to the termination date.

7. Depreciation and amortization

	2021	2020
Depreciation of property, plant and equipment	$ 3,342	$ 1,660
Amortization of intangible assets	113	104
Loss on Disposal of Assets	33	-
	$ 3,488	$ 1,764

8. Finance expenses

	2021	2020
Interest on loans and borrowings	$ 1,482	$ 899
Interest on lease liabilities	1	2
Bank fees	2	19
Other	21	30
Capitalized interest on property, plant and equipment (note 10)	(237)	(531)
	$ 1,269	$ 419

9. Trade and other receivables

	2021	2020
Trade receivables	$ 2,785	$ 4,174
Unbilled revenue	1,181	841
Gross accounts receivable	3,966	5,015
Expected credit loss allowance (note 22)	(49)	(25)
Net trade receivables	3,917	4,990
Short-term note receivable[1]	-	3,271
Net accounts receivable	$ 3,917	$ 8,261

1 Short-term note receivable from EPCOR is unsecured and due on demand. Interest is payable monthly.

Details of the aging of accounts receivables and analysis of the changes in the ECL allowance are provided in note 22.

(In thousands of Canadian dollars unless otherwise indicated)

10. Property, plant and equipment

	Land	Building & hardware	Construction work in progress	Machinery & equipment	Natural gas distribution	Right-of-use assets[1]	Total
Cost							
Balance, beginning of 2021	$ 247	$ 824	$ 7,032	$ 830	$ 90,883	$ 78	$ 99,894
Additions[2]	-	-	24,887	-	-	81	24,968
Transfers into service	11	246	(23,531)	261	23,013	-	-
Disposal and retirements	-	-	-	(178)	-	-	(178)
Balance, end of 2021	258	1,070	8,388	913	113,896	159	124,684
Accumulated depreciation							
Balance, beginning of 2021	-	231	-	167	3,018	49	3,465
Depreciation	-	106	-	111	3,085	40	3,342
Disposal and retirements	-	-	-	(40)	-	-	(40)
Balance, end of 2021	-	337	-	238	6,103	89	6,767
Net book value, end of 2021	$ 258	$ 733	$ 8,388	$ 675	$107,793	$ 70	$117,917

	Land	Building & hardware	Construction work in progress	Machinery & equipment	Natural gas distribution	Right-of-use[1] assets	Total
Cost							
Balance, beginning of 2020	$ 42	$ 541	$ 39,439	$ 388	$ 21,283	$ 78	$ 61,771
Additions	-	-	38,123	-	-	-	38,123
Transfers into service	205	283	(70,530)	442	69,600	-	-
Balance, end of 2020	247	824	7,032	830	90,883	78	99,894
Accumulated depreciation							
Balance, beginning of 2020	-	133	-	77	1,585	10	1,805
Depreciation	-	98	-	90	1,433	39	1,660
Balance, end of 2020	-	231	-	167	3,018	49	3,465
Net book value, end of 2020	$ 247	$ 593	$ 7,032	$ 663	$ 87,865	$ 29	$ 96,429

1 The ROU assets consist of land and buildings (including office spaces).

2 CWIP additions include $391 related to the reclass of amounts recorded in Deferred Revenue at December 31, 2020 that should have been included in Property, Plant and Equipment.

Borrowing costs capitalized during the year ended December 31, 2021, were $237 (2020 - $531) (note 8). The weighted average rate used to determine the borrowing costs eligible for capitalization was 2.45% (2020 - 4.2%).

There are no security charges over the Partnership's property, plant and equipment.

(In thousands of Canadian dollars unless otherwise indicated)

11. Intangible assets and goodwill

	Goodwill	Intangibles Work in Progress	Software	Other rights	Total
Cost					
Balance, beginning of 2021	$ 1,808	$ -	$ 252	$ 1,205	$ 3,264
Investment in intangible assets		87	-	-	87
Transfers into service	-	(66)	66	-	-
Balance, end of 2021	1,808	21	318	1,205	3,352
Accumulated amortization					
Balance, beginning of 2021	-	-	36	258	294
Amortization	-	-	31	82	113
Balance, end of 2021	-	-	67	340	407
Net book value, end of 2021	$ 1,808	$ 21	$ 251	$ 865	$ 2,945

	Goodwill	Intangibles Work in Progress	Software	Other rights	Total
Cost					
Balance, beginning of 2020	$ 1,808	$ 70	$ 100	$ 1,202	$ 3,180
Investment in intangible assets	-	84	-	-	84
Transfers into service	-	(154)	152	2	-
Balance, end of 2020	1,808	-	252	1,204	3,264
Accumulated amortization					
Balance, beginning of 2020	-	-	13	177	190
Amortization	-	-	23	81	104
Balance, end of 2020	-	-	36	258	294
Net book value, end of 2020	$ 1,808	$ -	$ 216	$ 946	$ 2,970

There are no security charges over the Partnership's intangible assets.

For purposes of impairment testing, goodwill acquired through business combination has been allocated to a single CGU, the Aylmer Operations. The most recent review of goodwill was performed in the fourth quarter. Management reviewed conditions since the last review was performed and determined that no circumstances occurred since then to require a revision to the assumptions used in the value in use calculations.

The recoverable amount of the CGU was determined using a discounted cash flow analysis. Forecasted cash flows reflect revenues consistent with OEB methodology of allowing a fair return on prudently placed capital that is recoverable through customer rates. Operating costs reflect historical costs of running the business, adjusted for inflation, and capital-spending forecasts reflect system integrity and capacity needs of utility infrastructure.

Key assumptions used in value-in-use calculations

The future cash flows of the underlying businesses are relatively stable since they relate primarily to ongoing natural gas supply in a rate-regulated environment. In the case of CGUs operating under a rate-regulated environment, revenues are set by the regulators to cover operating costs and to earn a return on the rate base, which is set at the regulator's approved weighted average cost of capital for the underlying utility.

The calculation of value in use for the CGU is most sensitive to the following assumptions:

Discount rates

The after-tax discount rates used were 4.25% (2020 – 4.2%), which were estimated based on the weighted average cost of

(In thousands of Canadian dollars unless otherwise indicated)

11. Intangible assets and goodwill (continued)

capital for the CGU.

Timing of future rate increases

Revenue growth is forecast to continue in concordance with rate base growth. Prudent capital investment in utility infrastructure, to meet customer demand and system integrity needs, may be included in rate base and allowed to earn a fair return by the regulator. Such return on rate base is recovered through customer rates, which drive revenue. In the case of rate-regulated businesses, if future rate filings are delayed then rate increases and increased cash flows from revenues would be affected.

Sensitivity to changes in assumptions

Assumptions have been tested using reasonably possible alternative scenarios. For all scenarios considered, the recoverable value remained above the carrying amount of the CGU.

12. Trade and other payables

		2021		2020
Trade payables	$	1,336	$	7,932
Other payables		3,807		6,814
Accrued liabilities		3,796		3,430
Accrued interest		52		32
	$	8,991	$	18,208

13. Loans and borrowings

		2021		2020
Short-term note payable to EPCOR[1]	$	209	$	-
Long-term note payable to EPCOR[2]				
At 3.83%, due in 2047		8,660		8,660
At 2.86%, due in 2050		29,000		29,000
At 3.41%, due in 2051		2,500		-
At 3.37%, due in 2051		12,000		-
Total loans and borrowings		52,369		37,660
Less: current portion		(209)		-
	$	52,160	$	37,660

1 Short-term note payable to EPCOR is unsecured and due on demand. Interest is payable monthly at 2.45% per annum.

2 The long-term notes payable to EPCOR are unsecured. Interest on notes is payable semi-annually while principal is due at the end of the term.

14. Deferred revenue

		2021		2020
Balance, beginning of year	$	23,917	$	5,703
Contribution received		255		18,357
Contribution adjustment		(391)		-
Revenue recognized		(456)		(143)

(In thousands of Canadian dollars unless otherwise indicated)

		23,325		23,917
Less: current portion		538		384
Balance, end of year	$	22,787	$	23,533

Contributions adjustment relates to the reclass of amounts recorded in Deferred Revenue at December 31, 2020 which should have been included in Property, Plant and Equipment.

15. Provisions

Provisions consist of employee benefits obligations for benefits provided under employee incentive plans.

		2021		2020
Balance, beginning of year	$	96	$	78
Provisions made during the year		165		78
Provisions utilized during the year		(96)		(60)
Balance, end of year	$	165	$	96

All employee benefit provision balances are expected to be utilized within one year.

16. Lease liabilities

The changes in lease liabilities during the year were as follows:

		2021		2020
Balance, beginning of year	$	30	$	69
Lease contracts executed during the year		81		-
Payments during the year		(40)		(39)
Balance, end of year	$	71	$	30

Approximate future payments by the Partnership with respect to its lease liabilities are as follows:

		2021		2020
Within one year	$	41	$	30
After one year but not more than five years		31		-
More than five years		-		-
Unrecognized finance expense		(1)		-
	$	71	$	30

The lease liabilities consist of the Partnership's lease for land and building in Huron-Kinloss, Ontario. In 2019, the Partnership entered into an agreement to lease land and building for its Southern Bruce operations. The agreement, which became effective October 2019, has an initial lease term of 2 years and provides for two successive one-year renewal options that can be excercised 3 months prior to the expiration date of October 15, 2021. The Partnership decided to exercise the option to renew the lease. The amended lease was signed on March 10, 2021 and is scheduled to expire on October 15, 2023.

17. Partnership units

The Partnership is authorized to issue unlimited number of Class A common units without nominal or par value. The units are voting and participate equally in profits, losses and capital distributions of the Partnership.

On November 4, 2016, 1,000 partnership units were issued. The General Partner was issued one unit and the Limited Partner 999 units.

On November 1, 2017, 13,358,556 additional units were issued. The General Partner was allocated an additional 13,359 units and the Limited Partner an additional 13,345,197 units.

On December 31, 2019 and December 16, 2020 the Limited Partner contributed an additional $12,000 and $5,000 respectively. No additional units were issued.

(In thousands of Canadian dollars unless otherwise indicated)

On December 13, 2021 the Limited and General Partner contributed an additional $14,985 and $15 respectively. No additional units were issued.

The General Partner holds 13,360 (2020 – 13,360) Class A common units having capital contribution of $29 (2020 - $14) in the Partnership. It manages the operations of the Aylmer Operations and has a 0.10% (2020 – 0.10%) interest in the profits, losses and capital distributions of the Partnership.

The Limited Partner holds 13,346,196 (2020 – 13,346,196) Class A common units representing a net capital contribution of $45,331 (2020 – $30,346) in the Partnership. The Limited Partner has 99.90% (2020 – 99.90%) interest in the profits, losses and capital distributions of the Partnership.

18. Changes in non-cash working capital

		2021		2020
Trade and other receivables (note 9)	$	4,344	$	(1,975)
Prepaid expenses		(27)		-
Inventories		(130)		(297)
Trade and other payables (note 12)		(9,217)		9,446
Customer deposits		129		150
Changes in non-cash working capital	$	(4,901)	$	7,324
Operating activities	$	(5,353)	$	6,264
Investing activities		452		1,060
	$	(4,901)	$	7,324

19. Changes in liabilities arising from financing activities:

		Lease liabilities		Short-term loans and borrowings		Long-term loans and borrowings
Balance, beginning of year	$	30	$	-	$	37,660
Issued		81		151,749		14,500
Redemptions or repayments		(40)		(151,540)		-
Balance, end of year	$	71	$	209	$	52,160

20. Related party balances and transactions

The Partnership is indirectly 100% owned by EPCOR, which is in turn 100% owned by The City of Edmonton. The Partnership purchases services from EPCOR and its subsidiaries relating to operational and inventory management, administration, health safety & environment, maintenance, repair, utilities, facilities, general plant use, employee costs, executive oversight, legal, finance, treasury, audit, human resources, procurement, public & government affairs, and information technology services pursuant to service agreements. Transactions between the Partnership and its related parties are in the normal course of operations, and are generally based on normal commercial rates, or as agreed to by the parties.

The following summarizes the Partnership's related party transactions with EPCOR and its subsidiaries:

		2021		2020
Statements of Comprehensive Income				
Staff cost and employee benefit expense (a)	$	1,780	$	1,644
Other raw materials and operating charges (b)		29		34
Other administrative expenses (c)		2,248		1,878

(In thousands of Canadian dollars unless otherwise indicated)

Finance expenses (d)	1,498	922

20. Related party balances and transactions (continued)

(a) Relates to staff costs and employee benefits expenses paid by EPCOR on behalf of the Partnership.
(b) Relates to expenditures for insurance.
(c) Relates to expenditures for administrative services.
(d) Relates to interest expense on short-term and long-term notes payable to EPCOR.

The following summarizes the Partnership's related party balances with EPCOR and its subsidiaries:

	2021	2020
Statements of Financial Position		
Trade and other receivables (e)	$ 262	$ 3,245
Property, plant and equipment (f)	797	434
Trade and other payables (g)	224	113
Loans and borrowings (e)	52,369	37,660
Provisions (h)	165	96

(e) Relates to short-term and long-term notes receivable to or payable from EPCOR.
(f) Relates to expenditures for information services projects.
(g) Relates to balances payable for administration of services and accrued interest on long-term notes payable to EPCOR.
(h) Relates to provisions for employee benefits.

21. Financial instruments

Classification

The classification of the Partnership's financial instruments at December 31, 2021 and 2020 are summarized as follows:

	Classification			
	Fair value through profit or loss	Fair value through other comprehensive income	Amortized cost	Fair value hierarchy
Measured at amortized cost				
Cash and cash equivalents			X	Level 1
Trade and other receivables			X	Level 3
Trade and other payables			X	Level 3
Loans and borrowings			X	Level 2
Customer deposits			X	Level 3

Fair value

The carrying amounts of cash, trade and other receivables, customer deposits and trade and other payables approximate their fair values due to the short-term nature of these financial instruments.

The carrying amount and fair value of the Partnership's remaining financial instrument are as follows:

	2021		2020	
	Carrying amount	Fair value	Carrying amount	Fair value
Loans and borrowings (note 13)	$ 52,369	$ 51,524	$ 37,660	$ 40,381

21. Financial instruments (continued)

Fair value hierarchy

The financial instruments of the Partnership have been disclosed at fair value using a fair value hierarchy. A Level 1 valuation is determined by unadjusted quoted prices in active markets for identical assets or liabilities. A Level 2 valuation is based upon inputs other than quoted prices included in Level 1 that are observable for the instruments either directly or indirectly. A Level 3 valuation for the assets and liabilities are not based on observable market data.

Loans and borrowings

Short-term loans and borrowings are measured at amortized cost and their carrying value approximate their fair value due to the short-term nature of these financial instruments.

The fair value of the Partnership's long-term loans and borrowings is based on determining a current yield for the Partnership's debt at December 31, 2021 and 2020. This yield is based on an estimated credit spread for the Partnership over the yields of long-term Government of Canada bonds for Canadian dollar loans that have similar maturities to the Partnership's debt.

22. Financial risk management

Overview

The Partnership is exposed to a number of different financial risks arising from business activities and its use of financial instruments, including market risk, credit risk, and liquidity risk. The Partnership's overall risk management process is designed to identify, assess, measure, manage, mitigate and report on business risk which includes financial risk. Enterprise risk management is overseen by the Board of Directors of EPCOR and senior management is responsible for fulfilling objectives, targets, and policies approved by the Board of Directors of EPCOR. EPCOR's Director of Audit and Risk Management provides the Board of Directors of EPCOR with an enterprise risk assessment on a quarterly basis. Risk management strategies, policies, and limits are designed to help ensure the risk exposures are managed within the EPCOR's business objectives and risk tolerance. The Partnership's financial risk management objective is to protect and minimize volatility in earnings and cash flow.

Financial risk management including interest rate risk, liquidity risk and the associated credit risk management is carried out by EPCOR's centralized Treasury function in accordance with applicable policies. The Audit Committee of the Board of Directors of EPCOR, in its oversight role, performs regular and ad-hoc reviews of risk management controls and procedures to help monitor compliance.

Market risk

Market risk is the risk of loss that results from changes in market factors such as energy prices and interest rates. The level of market risk to which the Partnership is exposed at any point in time varies depending on market conditions, expectations of future price or market rate movements and the composition of the Partnership's financial assets and liabilities held. EPCOR's financial exposure management policy is approved by the Board of Directors of EPCOR and the associated procedures and practices are designed to manage the interest rate risk throughout the Partnership.

Interest rate risk

The Partnership is exposed to interest rate risk from the possibility that changes in the interest rates will affect future cash flows or the fair values of its financial instruments. Interest rate risk associated with short-term loans and borrowings is immaterial due to their short-term maturity. At December 31, 2021 and 2020, all long-term loans and borrowings were fixed rate.

Credit risk

Credit risk is the possible financial loss associated with the inability of counterparties to satisfy their contractual obligations to the Partnership, including payment and performance. EPCOR's credit risk management policy is approved by the Board of Directors of EPCOR and the associated procedures and practices are designed to manage the credit risks associated with the various business activities throughout the group including the Partnership. Credit and counterparty risk management procedures and practices generally include assessment of individual counterparty creditworthiness and establishment of exposure limits prior to entering into a transaction with the counterparty. Exposures and concentrations are subsequently monitored and are regularly reported to senior management. Creditworthiness continues to be evaluated after transactions have been initiated, at a minimum, on an annual basis.

The COVID-19 outbreak and resulting measures introduced by various governments and municipalities have resulted in economic slowdown. The economic slowdown together with measures by various governments preventing utility companies from disconnecting customers for non-payment and allowing certain utility customers to defer payments of their utility bills for a limited period, have increased the credit risk of the Partnership, however no material impacts have resulted.

To manage and mitigate credit risk, the Partnership employs various credit mitigation practices such as master netting agreements, pre-payment arrangements from customers and other forms of credit enhancements including cash deposits, parent company guarantees, and bank letters of credit.

Maximum credit risk exposure

The Partnership's maximum credit exposure is represented by the carrying amount of the trade and other receivables balance of $3,917 (2020 – $4,990) (note 9). These carrying amounts do not take into account collateral held. At December 31, 2021, the Partnership held cash deposits of $378 (2020 – $249 cash deposits) as security for certain counterparty accounts receivable.

Credit quality and concentrations

The Partnership is exposed to credit risk on outstanding trade receivables associated with natural gas services to customers. The Partnership's trade receivables are unrated, unsecured and not of investment grade.

Rate-regulated customer credit risk

Credit risk exposure is generally limited to amounts due from residential and commercial customers for natural gas consumed but not yet paid for. The Partnership mitigates credit risk from counterparties by performing credit checks and on higher risk customers, by taking pre-payments or cash deposits.

Trade and other receivables and ECL allowance

Trade and other receivables consist primarily of amounts due from retail customers including residential and commercial customers. The Partnership mitigates these exposures by dealing with creditworthy counterparties and, when appropriate and contractually allowed, obtaining appropriate security from customers.

For retail customers, represented by a diversified customer base, credit losses are generally low and the Partnership provides an allowance for lifetime ECL.

The Partnership calculates the ECL allowance on accounts receivable using a provision matrix approach, which is based on the Partnership's historical credit loss experience and current economic conditions (including forward-looking information) for accounts receivables to estimate the lifetime ECL allowance. The provision matrix specifies fixed provision rates depending on the number of days that a trade receivable is due or past due. The COVID-19 pandemic did not have a significant impact on the Partnership's ECL allowance. The total lifetime ECL allowance at December 31, 2021 is $49 (2020 – $25).

(In thousands of Canadian dollars unless otherwise indicated)

22. Financial risk management (continued)

The gross amount of trade receivables and corresponding ECL is as follows:

December 31, 2021		Gross trade receivables		Expected credit loss allowance		Net trade receivables
Current (a)	$	3,786	$	16	$	3,770
Outstanding 31 to 60 days		155		14		141
Outstanding 61 to 90 days		6		2		4
Outstanding more than 90 days		19		17		2
	$	3,966	$	49	$	3,917

December 31, 2020		Gross trade receivables		Expected credit loss allowance		Net trade receivables
Current (a)	$	4,797	$	4	$	4,793
Outstanding 31 to 60 days		188		2		186
Outstanding 61 to 90 days		11		2		9
Outstanding more than 90 days		19		17		2
	$	5,015	$	25	$	4,990

(a) Current amounts represent trade and other receivables as well as accrued revenues outstanding up to 30 days. Amounts outstanding for more than 30 days are considered past due.

The change in the ECL allowance was as follows:

		2021		2020
Balance, beginning of year	$	25	$	73
Additional allowances created		44		37
Recovery of receivables		1		5
Receivables written off		(22)		(90)
Balance, end of year	$	49	$	25

During the year, the Partnership recognized $44 (2020 – $37) ECL as expense in profit or loss relating to customer amounts that the Partnership determined may not be fully collectable. The lifetime ECL allowance is determined by considering the unique factors of different customer types. Write-offs are determined either by applying specific risk factors to customer groups' aged balances in trade and other receivables or by reviewing material accounts on a case-by-case basis. Reductions in trade and other receivables and the related ECL allowance is recorded when the Partnership has determined that recovery is not possible.

(In thousands of Canadian dollars unless otherwise indicated)

22. Financial risk management (continued)

Liquidity risk

Liquidity risk is the risk that the Partnership will not be able to meet its financial obligations as they become due. The Partnership's liquidity is managed centrally by EPCOR's Treasury function. EPCOR manages liquidity risk through regular monitoring of cash and currency requirements by preparing short-term and long-term cash flow forecasts and by matching the maturity profiles of financial assets and liabilities to identify financing requirements. The financing requirements of the Partnership are addressed through operating cash flows, and if necessary, intercompany financing from EPCOR.

The undiscounted cash flow requirements and contractual maturities of the Partnership's financial liabilities, including interest payments, are as follows:

At December 31, 2021:

	2021	2022	2023	2024	2025	2026 and thereafter	Total contractual cash flows
Trade and other payables[a]	$ 8,939	$ -	$ -	$ -	$ -	$ -	$ 8,939
Customer Deposits	378	-	-	-	-	-	378
Loans and borrowings	209	-	-	-	-	52,160	52,369
Interest payments on loans and borrowings	1,650	1,650	1,650	1,650	1,650	39,112	47,362
Lease liabilities	40	31	-	-	-	-	71
	$ 11,216	$ 1,681	$ 1,650	$ 1,650	$ 1,650	$ 91,272	$ 109,119

(a) Excluding accrued interest on loans and borrowings of $52 (2020 – $32).

The Partnership's undiscounted cash flow requirements and contractual maturities in the next twelve months of $11,216 (2020 – $19,616) will be funded from operating cash flows and additional loans and borrowings.

23. Capital management

The Partnership's primary objectives when managing capital is to safeguard the Partnership's ability to continue as a going concern and pay cash distributions to its unit holders. The Partnership manages its capital structure in a manner consistent with the risk characteristics of the underlying assets and in accordance with OEB regulatory decisions.

The Partnership manages capital through regular monitoring of cash requirements by preparing short-term and long-term cash flow forecasts and reviewing monthly financial results. The Partnership matches the maturity profiles of financial assets and liabilities to identify financing requirements to help ensure an adequate amount of liquidity.

The Partnership considers its capital structure to consist of loans and borrowings (including current portion) net of cash and unit holder's equity. The following table represents the Partnership's total capital:

	2021	2020
Loans and borrowings (including current portion) (note 13)	$ 52,369	$ 37,660
Cash	(5)	(6)
Net debt	52,364	37,654
Total equity	40,029	27,893
Total capital	$ 92,393	$ 65,547

To manage or adjust its capital structure, the Partnership can issue new debt, repay existing debt or issue or redeem common units.

24. Commitments and contingencies

The following are the Partnership's commitments and contingencies not otherwise disclosed in these financial statements as at December 31, 2021:

(a) Commitments for the minimum cost of the monthly demand charge from Enbridge regardless of the total volume of gas delivered into the distribution system estimated at $1,355 (2020 – $1,259) annually.

(b) Commitments for the purchase of general administrative and operation services from EPCOR and its subsidiaries are estimated at $2,320 (2020 – $1,517) annually. These estimates are subject to change based on actual activity levels.

(c) Commitments for the purchase of design and construction services from Aecon Construction Group Inc. are estimated at $9,158 (2020 – $19,296) remaining on the contract to construct the Southern Bruce gas distribution infrastructure. The Partnership will require financing from the parent company to settle these commitments.

(In thousands of Canadian dollars unless otherwise indicated)

25. Divisional information

The Partnership operates two divisions that are geographically separated in Southwestern Ontario: Aylmer and Southern Bruce. Divisional information for the reporting period is as follows:

	Aylmer Operations	Southern Bruce Operations	2021 Total
Revenue	$ 13,261	$ 3,170	$ 16,431
Operating expenses:			
Energy purchases	5,795	173	5,968
Staff costs and employee benefits expenses	1,248	532	1,780
Depreciation and amortization (note 7)	1,092	2,396	3,488
Other raw materials and operating charges	2,062	822	2,884
Franchise fees and property taxes	601	271	872
Other administrative expenses	1,530	1,504	3,034
	12,328	5,698	18,026
Operating income (loss)	933	(2,528)	(1,595)
Finance expenses (note 8)	(402)	(867)	(1,269)
Comprehensive income (loss) for the year - all attributable to the Partners	$ 531	$ (3,395)	$ (2,864)

	Aylmer Operations	Southern Bruce Operations	2020 Total
Revenue	$ 11,593	$ 795	$ 12,388
Operating expenses:			
Energy purchases	4,817	13	4,830
Staff costs and employee benefits expenses	1,201	443	1,644
Depreciation and amortization (note 7)	1,030	734	1,764
Other raw materials and operating charges	1,927	424	2,351
Franchise fees and property taxes	615	93	708
Other administrative expenses	1,474	1,485	2,959
	11,064	3,192	14,256
Operating income (loss)	529	(2,397)	(1,868)
Finance expenses (note 8)	(382)	(37)	(419)
Comprehensive income (loss) for the year - all attributable to the Partners	$ 147	$ (2,434)	$ (2,287)