

New Brunswick System Operator
2012/2013
Annual Report





New Brunswick System Operator

September 2013

MESSAGE FROM THE BOARD CHAIRMAN

On behalf of the Board of Directors, the management and the staff of the New Brunswick System Operator (NBSO), I am pleased to present the Annual Report of the NBSO for the fiscal year ending March 31, 2013. For the reasons noted below, this Annual Report consists almost entirely of the audited Financial Statements and associated Notes.

My message last year noted that on October 19, 2011 the Government of New Brunswick announced fundamental changes to the energy sector in New Brunswick. These changes included an intention to dissolve the NBSO as a separate organization and have most of its functions absorbed into a restructured NB Power. During the 2012-2013 fiscal year, the required legislation to affect these changes was introduced in the Legislature and was passed in June, 2013. Proclamation of the new *Electricity Act* is scheduled for October 1, 2013, and with that proclamation, the NBSO will be dissolved. Accordingly, this will be the final Annual Report of the NBSO.

During 2012-2013, the NBSO continued to meet its duties and responsibilities under the current legislation, while at the same time working cooperatively with all affected parties to ensure an effective and efficient transfer of NBSO functions. As we approach October 1, I want to thank my fellow Board members for their leadership and assistance, and I know they join me in thanking the NBSO management and staff, both past and present, for their professionalism, hard work and commitment to the public we serve.

A handwritten signature in black ink, appearing to read 'Darrell Bishop', written over a white background.

Darrell Bishop

Chairman, Board of Directors
New Brunswick System Operator

New Brunswick System Operator

Financial Statements
March 31, 2013 and 2012
(in thousands of dollars)

MANAGEMENT'S STATEMENT OF RESPONSIBILITY

The financial statements of the New Brunswick System Operator ("NBSO") were prepared by management, in accordance with Canadian public sector accounting standards which involve the use of significant accounting judgments and estimates in selecting and applying appropriate accounting principles.

In discharging its responsibility for the integrity and fairness of the financial statements, management maintains systems of internal controls necessary to provide reasonable assurance that the accounting records are reliable, and that NBSO's assets are properly safeguarded. Internal Audit conducts reviews to ensure that the corporation's internal controls and procedures are adequate, consistent and applied uniformly.

The independent audit firm of PricewaterhouseCoopers LLP, Chartered Accountants, has audited and reported on the financial statements. Their opinion is based on their audit conducted by them in accordance with Canadian generally accepted auditing standards to obtain reasonable assurance that the financial statements are free of material misstatement.

The Board of Directors is responsible for evaluating management in the performance of their financial reporting responsibilities, and has approved these financial statements. The Board of Directors reviews and recommends approval of the financial statements and meets periodically with management, the independent auditors and the internal auditor, concerning internal controls and all other matters relating to financial reporting.



Kevin Roherty
President and Chief Executive Officer



June 27, 2013

Independent Auditor's Report

To the Board of Directors of the New Brunswick System Operator

We have audited the accompanying financial statements of the **New Brunswick System Operator** ("NBSO"), which comprise the balance sheets as at March 31, 2013, March 31, 2012 and April 1, 2011 and the statements of operations, remeasurements gains and losses and changes in net assets and cash flows for the years ended March 31, 2013 and March 31, 2012, and the related notes which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting 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.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly in all material respects, the financial position of the **New Brunswick System Operator** as at March 31, 2013, March 31, 2012 and April 1, 2011 and the results of its operations, its remeasurement gains and losses and its cash flows for the years ended March 31, 2013 and March 31, 2012 in accordance with Canadian public sector accounting standards.

PricewaterhouseCoopers LLP

Chartered Accountants

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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.

New Brunswick System Operator

Balance Sheets

As at March 31, 2013, March 31, 2012 and April 1, 2011

(in thousands of dollars)

	March 31, 2013 \$	March 31, 2012 \$	April 1, 2011 \$
Assets			
Current assets			
Cash	967	2,079	4,441
Accounts receivable	12,580	11,955	14,198
Prepaid expenses	146	134	138
	13,693	14,168	18,777
Property and equipment (note 5)	5,027	4,763	3,907
	18,720	18,931	22,684
Liabilities			
Current liabilities			
Bank advances (note 6)	1,600	1,600	1,000
Accounts payable and accrued liabilities	12,561	12,227	14,709
Deferred regulatory liabilities (note 7)	2,005	2,346	4,260
Current portion of capital lease obligations (note 8)	40	40	33
	16,206	16,213	20,002
Accrued benefit liability (note 9)	248	415	338
Obligations under capital lease , net of current portion (note 8)	2,266	2,303	2,344
	18,720	18,931	22,684
Commitments (note 12)			

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

New Brunswick System Operator

Statement of Operations, Remeasurement Gains and Losses and Changes in Net Assets For the years ended March 31, 2013 and 2012

(in thousands of dollars)

	2013 \$	2012 \$
Revenues		
Transmission		
Point-to-point tariff	37,373	34,565
Network tariff	47,126	46,339
Power factory penalty	1,387	756
	<hr/> 85,886	<hr/> 81,660
Ancillary services	18,498	19,428
Miscellaneous	1,154	1,622
	<hr/> 105,538	<hr/> 102,710
Expenses		
Transmission	85,886	81,660
Ancillary services	8,064	7,645
Operation, maintenance and administration	9,331	10,832
Amortization	82	69
	<hr/> 103,363	<hr/> 100,206
Other income (expenses)		
Interest income	15	30
Interest expense on capital lease	(185)	(188)
	<hr/> (170)	<hr/> (158)
Operating surplus for the year	2,005	2,346
Remeasurement gains and losses	–	–
Net assets – Beginning of year	–	–
Deferral of regulatory liabilities	<hr/> (2,005)	<hr/> (2,346)
Net assets – End of year	<hr/> –	<hr/> –

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

New Brunswick System Operator

Statement of Cash Flows

For the years ended March 31, 2013 and 2012

(in thousands of dollars)

	2013 \$	2012 \$
Cash provided by (used in)		
Operating activities		
Net surplus for the year	–	–
Items not affecting cash		
Amortization	82	69
Loss on disposal of property and equipment	8	
Net change in non-cash working capital items	(644)	(2,149)
Net change in accrued benefit liability	(167)	77
	<hr/>	<hr/>
	(721)	(2,003)
Investing activities		
Purchase of property and equipment	(365)	(925)
Proceeds on disposal of property and equipment	11	–
	<hr/>	<hr/>
	(354)	(925)
Financing activities		
Proceeds on bank advances	–	600
Principal repayments under capital lease	(37)	(34)
	<hr/>	<hr/>
	(37)	566
Net (decrease) increase in cash during the year	(1,112)	(2,362)
Cash – Beginning of year	<hr/>	<hr/>
	2,079	4,441
Cash – End of year	<hr/>	<hr/>
	967	2,079
Cash flows from operating activities include		
Interest received	15	30
Interest paid	185	188

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

New Brunswick System Operator

Notes to Financial Statements

For the years ended March 31, 2013 and 2012

(in thousands of dollars)

1 Nature of operations

The New Brunswick System Operator (“NBSO”) is a not-for-profit, non-taxable entity established in 2004 by the “Electricity Act” of New Brunswick. It is responsible for directing the operation of and maintaining the reliability of the transmission system, procuring and providing ancillary services and undertaking and coordinating planning to ensure reliability of the electricity system for future needs. It is also responsible to facilitate the operation of a competitive electricity market.

NBSO governance is supplied by an independent Board of Directors appointed by the Lieutenant-Governor in Council of the Province of New Brunswick.

NBSO is one of sixteen reliability coordinators in North America, responsible to the North American Electric Reliability Corporation (“NERC”), the authority that enforces reliability standards for operation of the bulk power system, to coordinate reliability activities on behalf of NERC for the Maritime Provinces. NERC standards have been adopted as mandatory and enforceable pursuant to the Electricity Act and the New Brunswick Electricity Market Rules. NBSO’s role in making and enforcing the standards was formally recognized in an October 3, 2008 Memorandum of Understanding signed by the Province of New Brunswick (Minister of Energy), NERC and the NBSO. This agreement with NERC is similar to agreements signed between NERC and other Canadian provinces.

In October, 2011 the New Brunswick Department of Energy issued an Energy Blueprint outlining the government’s strategic direction for the energy sector. With respect to the electricity market and the NBSO, the Blueprint provides at page 15 that “The province of New Brunswick will review our electricity market policies and implement appropriate structural and operational changes, including the dissolution of the NBSO and migration of system operator functions back to NB Power”. Work related to this initiative is well underway and the target date for the dissolution of the NBSO is September 30, 2013.

2 Basis of presentation and adoption of Canadian public sector accounting standards (“PSAS”)

On April 1, 2012 the NBSO adopted PSAS (including the accounting standards for government not-for-profit organizations (GNFPO’s)). The transition date to the new standards was April 1, 2011 and these are the first financial statements prepared in accordance with PSAS. The NBSO has adopted the changes retrospectively and all comparative information provided has been presented by applying PSAS, where applicable.

New Brunswick System Operator

Notes to Financial Statements

For the years ended March 31, 2013 and 2012

(in thousands of dollars)

3 Significant accounting policies

Regulation

NBSO, as part of its role of directing the operation of the transmission system, administers an Open Access Transmission Tariff (“OATT”). OATT rates are subject to regulation by the New Brunswick Energy and Utilities Board (EUB). NBSO accounting policies conform to generally accepted accounting standards (GAAP) in the electricity transmission industry in Canada but also reflect the policies prescribed by the EUB. Deficits and surpluses which would otherwise be included in earnings may be deferred on the balance sheet as regulatory assets and liabilities pending authorization by the EUB of their collection or distribution.

Revenue recognition

Monthly settlements of market participants’ energy imbalance and residual monthly costs are not reflected in NBSO’s Statement of Operations since they do not represent revenues or expenses of NBSO as NBSO merely acts as an intermediary in the settlement process. In this role, NBSO receives and disburses funds to/from market participants in the month following the month in which transactions occurred.

NBSO’s approved tariff, the OATT, allows recovery of NBSO’s operating expenses through Schedule I services provided to market participants. Monthly revenues are collected from market participants based on their transmission usage as a proportion of total usage multiplied by one-twelfth of the annual revenue requirement.

Transactions from bilateral contracts between market participants are not included as transactions of NBSO.

Other ancillary services and miscellaneous revenues are recognized as the related services are provided. Transmission revenues, ancillary service revenues, energy imbalances and residual monthly costs are calculated based on metering data provided by market participants and transmitters. The accuracy of these amounts is dependent upon third party meter data collection, estimation and validation procedures which are not the responsibility of the NBSO.

Property and equipment

NBSO has an arrangement with New Brunswick Power Transmission (“NBPT”) in which it leases approximately seventy percent of the Energy Control Centre, which has been treated as a capital lease in accordance with the recommendations of Public Sector Accounting Guidelines PSG 2 “Leased tangible capital assets”. This property and equipment is carried at cost less accumulated amortization. Amortization has been computed at rates equal to the principal lease repayments using the effective interest method, which is sufficient to amortize the cost of the property and equipment over their estimated useful lives as follows:

Energy control centre	32 years
Security system	10 years

New Brunswick System Operator

Notes to Financial Statements

For the years ended March 31, 2013 and 2012

(in thousands of dollars)

3 Significant accounting policies (continued)

Property and equipment (continued)

NBSO also has set up capital asset categories for furniture and equipment, leasehold improvements and assets in the course of construction. These are amortized as follows:

Furniture and equipment	10 years
Leasehold improvements	10 years

Assets in the course of construction are not amortized until the assets are available for use.

Foreign exchange transactions

Foreign currency revenues and expenses are translated into Canadian dollars at the rate of exchange prevailing at the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at rates of exchange prevailing at the balance sheet date. The resulting foreign currency exchange gains and losses are included in the determination of net surplus for the year.

Cash

Cash consists of cash and short-term deposits with original maturities of three months or less held with banks. They are classified as financial assets held-for-trading and carried at fair value.

Financial assets and liabilities

Accounts receivable are classified as Loans and Receivables and accounts payable and accrued liabilities, bank advances, deferred regulatory liabilities and capital lease obligations are classified as Other Financial Liabilities. These financial assets and liabilities are initially measured at fair value and, after initial recognition; they are measured at amortized cost using the effective interest method.

New Brunswick System Operator

Notes to Financial Statements

For the years ended March 31, 2013 and 2012

(in thousands of dollars)

3 Significant accounting policies (continued)

Employee benefit plans

Benefit obligations for defined benefit post-retirement plans are determined by independent actuaries using the project benefit method pro-rated on service and management's best estimate of salary escalation and retirement ages of employees.

The benefits charge or credit recognized consists of:

- the aggregate of the actuarially computed cost of benefits provided in respect of the current period's service;
- imputed interest on the accrued benefit obligation;
- past service costs from plan amendments; and
- the amortization of experience gains or losses over the average remaining service period of employees.

Defined contribution plan accounting is applied to multi-employer defined benefit pension plans for which the NBSO has insufficient information to apply defined benefit plan accounting. The benefit cost is the NBSO's required contributions to the plan.

Management estimates

The preparation of financial statements in conformity with PSAS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from the estimates.

New Brunswick System Operator

Notes to Financial Statements

For the years ended March 31, 2013 and 2012

(in thousands of dollars)

4 Transition to PSAS

Effective April 1, 2011, the NBSO elected to adopt Canadian public sector accounting standards (including the accounting standards for GNFPO's) as issued by the Canadian Accounting Standards Board. The accounting policies selected under this framework have been applied consistently and retrospectively, as if these policies had always been in effect. The implications of the new public sector accounting standards for NBSO were as follows:

- a) The accounting standards for GNFPO's require the discount rate used in the actuarial valuation of post employment benefits to be the borrowing rate of the NBSO rather than the rate used on high quality corporate bonds which was used previously under pre -changeover Canadian GAAP.
- b) The accounting standards for GNFPO's require actuarial gains and losses on post employment benefits to be amortized over the average remaining service life of the employee group rather than using the corridor approach which was used previously under pre-changeover Canadian GAAP.

The impact of these changes on the financial statements was not material.

5 Property and equipment

			2013	2012
	Cost	Accumulated	Net	Net
	\$	amortization	\$	\$
		\$		
Assets leased from NBPT (note 8)				
Energy control centre	2,425	165	2,260	2,289
Security system	77	31	46	53
	2,502	196	2,306	2,342
Other assets				
Leasehold improvements	98	27	71	81
Furniture and equipment	325	102	223	272
Assets in the course of construction	2,427	–	2,427	2,068
	2,850	129	2,721	2,421
	5,352	325	5,027	4,763

Assets in the course of construction represent cost to date associated with the replacement of the Supervisory Control and Data Acquisition/Energy Management System also known as SCADA/EMS. This project will continue and is expected to be in service by July 1, 2013. Interest of \$38 (2012 - \$40) related to this project has been capitalized during the year.

New Brunswick System Operator

Notes to Financial Statements

For the years ended March 31, 2013 and 2012

(in thousands of dollars)

6 Bank advances

	2013 \$	2012 \$
Uncommitted operating loans	1,600	1,600

NBSO has entered into a revolving demand credit facility agreement with a bank to finance capital investment requirements. The agreement provides NBSO with interim credit facilities, secured by a first charge on all present and future personal property, of up to \$3,200 to fund an IT system referred to as SCADA. This interim facility is to be repaid on full on September 30, 2013. The credit facility is interest bearing at banker's acceptances rate plus 1.25%.

NBSO also entered into a \$3,200 committed term loan facility amortized over fifteen years, with the same lender, that can be drawn at any time prior to December 31, 2013. The loan can be drawn as either a floating rate loan at prime plus 0.25% or at a fixed rate to be determined by the bank.

7 Deferred regulatory liabilities

The following regulatory liabilities were included in the "Deferred Regulatory Liabilities" line on the balance sheet:

	Surplus \$
March 31, 2012	2,346
Distributions in the year	(2,346)
Deferrals in the year	2,005
March 31, 2013	2,005

New Brunswick System Operator

Notes to Financial Statements

For the years ended March 31, 2013 and 2012

(in thousands of dollars)

8 Obligations under capital lease

Effective April 30, 2005, NBSO entered into an arrangement with NBPT under which NBSO became responsible for the cost of the Energy Control Centre assets subject to the lease arrangement. This arrangement has been accounted for as a capital lease. Interest is being charged at 8% (2012 - 8%) and monthly payments of principal and interest for fiscal 2013 amount to \$17 for the building and \$1 for the security system.

	\$
Year ending March 31, 2014	222
2015	222
2016	222
2017	222
2018	222
Thereafter	4,030
	<hr/> 5,140
Less: Imputed interest	2,834
	<hr/> 2,306
Due in less than one year	40
Due after one year	2,266
	<hr/> 2,306

Under the current arrangement, capital additions other than leasehold improvements to the Energy Control Centre are financed by NBSO.

New Brunswick System Operator

Notes to Financial Statements

For the years ended March 31, 2013 and 2012

(in thousands of dollars)

9 Employee future benefits

NBSO has the following plans providing pension and other post employment benefits to its employees:

Pensions

NBSO's employees participate in a multi-employer contributory defined benefit pension plan, administered by the Province of New Brunswick under the Public Service Superannuation Act ("PSSA"). The plan provides pensions to employees of the Provincial Government and certain Crown corporations and agencies based on length of service and highest successive five-year average salary. The plan was 83.6% funded as of April 1, 2012, the date of the most recent external valuation of the plan. The Province has advised participating corporations that the unfunded liability is being funded through annual escalating payments. Payments by NBSO to the plan during the year to March 31, 2013 were \$190 (2012 - \$182) and future payments, if required, will increase by the annual growth in CPI plus 2%. Future actuarial valuations may change the funding requirement.

Executive supplemental pension benefits

NBSO also has an unfunded, non-contributory pension plan that provides supplemental pension benefits over and above those provided by the PSSA to certain designated executives.

Retirement allowances

The retirement allowance program is an unfunded non-contributory plan that provides employees a lump-sum payment upon retirement, equal to one week of pay for each full year of employment to a maximum of 26 weeks of pay. Previous years of employment with the Provincial Government and certain Crown corporations and agencies qualify toward the participants' entitlements under this plan.

Other post retirement benefits

Employees of NBSO are entitled to a life insurance benefit of \$15 payable in the event of death after retirement. In addition, executives who retire after age 60 are entitled to an extension of their group benefits to age 65, at NBSO's expense.

Effective September 14, 2012 select NBSO employees were transferred to NB Power Transmission ("NBPT") and then seconded back to the NBSO. Accrued employee future benefit liabilities of \$180 relating to these employees while they were employees of NBSO have been assumed by NBPT and are included as a payable to NBPT in NBSO's balance sheet at March 31, 2013.

New Brunswick System Operator

Notes to Financial Statements

For the years ended March 31, 2013 and 2012

(in thousands of dollars)

9 Employee future benefits (continued)

Information about NBSO's share of the executive supplemental pension benefits, retirement allowances and other post retirement benefit plans as at March 31, 2013 (measurement date), based on extrapolations of actuarial valuations prepared as at April 1, 2012 for accounting purposes are as follows:

	2013	2012
	\$	\$
Accrued benefit obligation	284	602
Unamortized past service costs and actuarial losses	(36)	(187)
Accrued benefit liability	<u>248</u>	<u>415</u>

The net benefit cost recognized during the year to March 31, 2013 in relation to the executive supplemental pension benefits, retirement allowances and other post retirement benefits plans was \$28 (2012 - \$94). Benefit payments during the year paid by NBSO amounted to \$15 (2012 - \$17).

The significant actuarial assumptions adopted in measuring NBSO's accrued benefit obligation and net benefit cost for the executive supplemental pension benefits, retirement allowances and other post retirement benefits plans are as follows:

	2013	2012
Discount rate at end of year used to determine the accrued benefit obligation	3.39%	3.52%
Discount rate at beginning of year used to determine the net benefit cost	3.52%	4.53%
Rate of compensation increase to determine the accrued benefit obligation and the net benefit cost	2.50%	2.50%

10% and 5% annual rate of increase in per capita costs of covered medical care and dental benefits respectively has been assumed for 2013. Medical cost inflation is assumed to decrease to 7% after 6 years and remain at that level thereafter.

New Brunswick System Operator

Notes to Financial Statements

For the years ended March 31, 2013 and 2012

(in thousands of dollars)

10 Financial instruments

Fair value

NBSO's financial statements include cash, accounts receivable and payable, bank advances, deferred regulatory liabilities and capital lease obligations. Due to the short-term maturity of cash, accounts receivable and payable, bank advances and deferred regulatory liabilities the carrying value of these instruments are reasonable estimates of their fair value. The fair value of the capital lease obligations payable to NBPT is affected by changes in the prevailing level of interest rates. NBSO has not entered into any financial instruments to hedge the fair value exposure associated with this item. The carrying value of this obligation is believed to be a reasonable approximation of its fair value.

Credit risk

Financial instruments which potentially subject NBSO to concentrations of credit risk primarily consist of accounts receivable billings due from market participants, the majority of which relate to one customer New Brunswick Power Distribution and Customer Service for \$7,089 (2012 - \$7,039). No allowance has been provided for accounts receivable at March 31, 2013 as management considers all accounts receivable to be probable of collection. NBSO's tariffs establish specific periods for the adjustment of settlement invoices as originally billed and for challenges to amounts billed for a particular service month.

Subsequent invoices issued during the settlement adjustment period "true up" amounts previously billed. After all true up invoices are issued during the settlement adjustment period, market participants may challenge the amounts billed for a particular service month. If NBSO agrees with the provisions of the challenge, a final invoice is issued for that service month. As a result, NBSO is exposed to credit risk until all settlement adjustments and final invoices for each service month are finalized and liquidated. However, NBSO is allowed to recover bad debt losses from the remaining market participants in future billings.

As per OATT, Section 7.1, each invoice shall be subject to adjustment for any errors in calculations, meter readings, estimating or otherwise, up to twelve months after the date of original issuance. These invoices may be challenged by market participants up to 10 days after the date of original issuance.

Interest rate risk

NBSO is exposed to interest rate risk as future changes in the prevailing level of interest rates affects the cash flows associated with its cash balances and bank advances. NBSO has not entered into any financial instrument contracts to hedge this interest rate exposure.

Currency risk

NBSO is subject to minimal foreign exchange risk as less than 1% of its revenues and less than 1% of its expenses are denominated in foreign currencies. NBSO has not entered into any foreign exchange contracts to minimize the effects of foreign exchange fluctuations on its operations on these financial statements.

New Brunswick System Operator

Notes to Financial Statements

For the years ended March 31, 2013 and 2012

(in thousands of dollars)

11 Related party transactions

The NBSO is related to the NB Power group of companies through common ownership by the Province of New Brunswick. All transactions are recorded at arms-length.

Revenue and expenses

The following related party revenues and expenses are included in the financial results for the year ended March 31:

	2013 \$	2012 \$
Revenue		
Transmission revenue	73,075	70,595
Ancillary services	16,256	17,199
Miscellaneous	656	656
Expenses		
Transmission expense	85,755	81,531
Operations expenses	4,420	703
Ancillary services	7,370	7,280

Receivables and payables

The following related party receivable and payable balances existed as at March 31. The amounts included in accounts receivable and accounts payable are subject to the normal payment terms extended to unrelated parties:

	2013 \$	2012 \$
Accounts receivable	10,153	9,046
Accounts payable	11,419	8,428

12 Commitments

Commencing September 1, 2009 NBSO entered into a 5 - year operating lease for office space outside the Energy Control Centre. Minimum lease payments for the next two years and thereafter are as follows:

	\$
Year ending March 31, 2014	104
2015	44

NBSO has two options to extend the lease for periods of 5 years through to August 31, 2024 with a net rent increase of 2% per year.



June 27, 2013

Additional Comments of Auditors

Energy imbalance and residual monthly costs are presented as supplementary information only. In this respect, they do not form part of the financial statements of **New Brunswick System Operator ("NBSO")** for the years ended March 31, 2013 and 2012 and hence are excluded from the opinion expressed in our report dated June 27, 2013 to the Board of Directors on such financial statements. The information in these schedules has been subject to audit procedures only to the extent necessary to express an opinion on the financial statements of NBSO and, in our opinion, is fairly presented in all respects material to those financial statements.

PricewaterhouseCoopers LLP

Chartered Accountants

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New Brunswick System Operator

Supplemental information (unaudited)

March 31, 2013

(in thousands of dollars)

Energy imbalance and residual monthly costs

The total energy imbalance and residual monthly costs that represent the settlement of the transactional volume of energy and energy related products in NBSO's market during the year ended March 31, 2013 amounted to \$29,856 (2012 - \$27,727). The above amounts include \$26,845 (2012 - \$24,058) credited to and \$25,872 (2012 - \$24,126) charged to the NB Power group of companies.

