



Audit & Ethics Committee Meeting

Wednesday, 8/27/2025

9:30 - 10:00 AM CT

Committee Chair - Rob McCabe

1. Approval of minutes of the Audit and Ethics Committee meeting held June 25, 2025

Audit and Ethics Committee Meeting Minutes - June 25, 2025 - Page 2

2. Baker Tilly Internal Audit Reports - Scott Nalley

a. Audit and Ethics Committee Calendar

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b. Internal Audit Status Report

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c. Internal Audit Report - FY25 Power Systems Operations

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d. Recommendations - FY25 Power Systems Operations

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e. Internal Audit Report - FY25 Timekeeping and Payroll

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3. Report to the Audit and Ethics Committee of the Board of Directors - Fiscal Year 2025 Audit Results - PricewaterhouseCoopers - Richard Call

Report to the Audit and Ethics Committee of the Board of Directors - Fiscal Year 2025 Audit Results - PricewaterhouseCoopers - Page 31

4. Executive Session (if needed)

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5. Miscellaneous

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AUDIT AND ETHICS COMMITTEE MEETING MINUTES JUNE 25, 2025

The Audit and Ethics Committee meeting was held on Wednesday, June 25, 2025.

Committee Members Present: Committee Chair Rob McCabe, Anne Davis, Clifton Harris, and Michael Vandenberg (virtually)

Officers Present: Teresa Broyles-Aplin, Laura Smith, Dr. Trish Holliday, Brent Baker and Recording Secretary David Frankenberg

Committee Chair Rob McCabe called the meeting to order at 8:02 a.m.

SAFETY TIP

Jack Baxter presented a safety tip on Emergency Preparedness. Key topics included workplace safety, emergency preparedness, roadway safety, and wellbeing.

2025 TENNESSEE VALLEY LINEMAN RODEO

Brad Heck applauded the performance of fourteen NES linemen who competed in the 2025 Tennessee Valley Lineman Rodeo, bringing home ten awards including top honors in both the Senior and Team categories. Mr. Heck stated that this event highlights the real-world challenges NES linemen face daily and serves as a powerful testament to their technical expertise, teamwork, and commitment to safety.

MINUTES

Upon motion by Member Harris and seconded by Member McCabe, the Committee approved the minutes from the Audit and Ethics Committee meeting held May 28, 2025, with four ayes and zero nays.

EVALUATION OF INTERNAL AUDIT SURVEY RESULTS

Chair McCabe presented the results of the 2025 Internal Audit survey. He stated that each Audit and Ethics Committee member was asked to evaluate the effectiveness of the Internal Audit function based on the Institute of Internal Audit standards.

Survey results indicated that the Internal Audit function is operating effectively, with a strong emphasis on risk-based auditing and adherence to professional standards. The team's expertise and advisory role are well recognized, along with its commitment to transparency and open communication with Management. Key strengths highlighted include a deep understanding of the business and risk landscape, active participation in audit meetings, availability for consultation, and timely responses to Committee requests.

Chair McCabe expressed his appreciation for Kraft's contributions and indicated that progress of the Internal Audit function will continue to be monitored annually.

KRAFT INTERNAL AUDIT REPORTS

Scott Nalley reviewed the Audit and Ethics Committee Calendar and noted that all items are proceeding according to schedule. He referred to the Internal Audit Status Report and indicated that the FY25 Audit Plan is in its final stages and audit plans for FY26 are underway.

Mr. Nalley reported that KraftCPAs conducted a compliance-focused audit centered around North American Electric Reliability Corporation (NERC) and the Southeastern Electric Reliability Corporation (SERC) standards. He explained that the audit took into account corporate governance, organizational culture, and stewardship efforts that could potentially influence its scope. Mr. Nalley confirmed that the audit evaluation was satisfactory and revealed no reportable findings.

A risk assessment and quality review of the NES Encompass project was presented, with the project receiving an overall risk rating of low to moderate. Mr. Nalley noted that the project's go-live was executed successfully with the Hypercare phase concluded on schedule.

Chair McCabe asked what function Paymentus performs. Brent Baker responded that it is a payment technology platform through which approximately ninety percent of NES payments are processed.

EXECUTIVE SESSION

The Committee did not go into Executive Session.

MISCELLANEOUS

There were no miscellaneous items to present.

ADJOURNMENT

The meeting adjourned at 8:22 a.m.

APPROVED: _____
Committee Chair Rob McCabe

**THE ELECTRIC POWER BOARD
OF THE METROPOLITAN GOVERNMENT
OF NASHVILLE AND DAVIDSON COUNTY**

AUDIT & ETHICS COMMITTEE CALENDAR

COMMITTEE ACTIONS	1st Qtr*	2nd Qtr*	3rd Qtr*	4th Qtr*	As Needed
EXTERNAL AUDITORS					
Advise the Board as to appointment and compensation of the external audit firm					X
Review external audit plan	January				
Confirm independence of external auditors	January		August		X
Review any “second opinions” obtained on accounting and financial reporting policies					X
Receive external communications required under generally accepted auditing standards	January		August		
Review and consider completeness of financial statements and consistency of information with that known and make recommendation to the Board as to approval			August		
Review management letter (e.g., control deficiencies)			August		
Review status of management letter corrective actions			August		
Review performance of external auditors and make recommendation to Board regarding appointment or discharge					X
EXECUTIVE MANAGEMENT					
Consider the effectiveness of internal controls	X	X	X	X	
Review Enterprise Risk Management program			September		
Review letter of representations certifying appropriateness of financial statements and disclosures			September		
INTERNAL AUDIT					
Approve the Internal Audit Charter		May			X
Advise the Board as to appointment and compensation of the internal audit firm		May			X
Review and approve the annual audit plan		May			
Review and approve changes to the audit plan		May			X
Review effectiveness of internal audit function		May			X
Review compliance with IIA standards		May			X
Confirm organizational independence		May			

COMMITTEE ACTIONS	1st Qtr*	2nd Qtr*	3rd Qtr*	4th Qtr*	As Needed
COMPLIANCE					
Review effectiveness of system for monitoring compliance	X	X	X	X	
Review findings of examinations of regulatory agencies					X
OTHER					
Receive board training	X				
Review the process for monitoring conflicts of interest				October	
Evaluate committee calendar					X
Evaluate committee performance				X	

* Calendar year

Nashville Electric Service
Internal Audit Status Report-FY26
As of August 27, 2025

CURRENT AUDITS	
Audit Description	Date Started
Network and Cybersecurity - Corporate (FY25)	May 2025
Grant Administration & Stewardship Program Management (FY25)	June 2025
FY25 Q4 Follow-up and Remediation	July 2025
Environmental Safety	August 2025
Travel Expenses	August 2025
UPCOMING AUDITS	
Audit Description	Scheduled Start Date
T&D Operations	September 2025
Equipment and Materials Management	September 2025
Q1 FY26 Follow-up and Remediation	October 2025
Contribution in Aid to Construction	October 2025
Physical Security & Employee Safety	November 2025
Q2 FY26 Follow-up and Remediation	January 2026
Board, Executive, and Employee Accounts	January 2026
Non-Metered Electric Billing and Miscellaneous Revenues	January 2026
Meter to Cash	March 2026
Capital Projects and Capitalization Process	April 2026
Q3 FY26 Follow-up and Remediation	April 2026
Cybersecurity Operations	April 2026
Network and Cybersecurity - Corporate	May 2026
NON-AUDIT SERVICES	
Service Description	Status/Scheduled Date
Enterprise Risk Management Assistance	In-process
Completed AUDITS	
Audit Description	Completion Date
Power Systems Operations (FY25)	August 2025
Timekeeping & Payroll (FY25)	August 2025



Nashville Electric Service

FY2025 Power Systems Operations

Internal Audit Report
For the Period: April 1, 2024 through March 31, 2025



CONFIDENTIAL

This report is intended solely for the use of management and the Board of Directors and should not be used for any other purpose. The Company's external auditors may be provided with a copy of this report in connection with fulfilling their responsibilities.

Nashville Electric Service

Power Systems Operations
Internal Audit – FY2025

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Report Distribution:	<u>Name</u>	<u>Title</u>
	Jack Baxter	VP Operations
	Kevin Phelps	Operations Manager
	Landon Roeder	System Supervisor
	Kent Cochran	Utility Compliance Manager

Additional Distribution:	<u>Name</u>	<u>Title</u>
	Rob McCabe	Audit Committee Chair
	Teresa Broyles-Aplin	President & CEO
	Brent Baker	EVP Chief Operations & Innovation Officer
	David Frankenberg	VP CFO
	Laura Smith	VP Chief Legal Officer & General Counsel



I. Executive Summary

Introduction

Baker Tilly Advisory Group LP has performed certain internal audit services for Nashville Electric Service (NES) related to cybersecurity – operations, SCADA, and voltage management processes. Our fieldwork was performed April 7, 2025 through June 13, 2025. The audit covered the period from April 1, 2024 through March 31, 2025. Our primary objective was to independently and objectively test and assess the internal controls related to Power Systems Operations. Our services were performed in accordance with the terms of our contract with an effective date beginning on June 1, 2021. We conducted this audit in accordance with Generally Accepted Government Auditing Standards and the *International Standards for the Professional Practice of Internal Auditing*. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Scope

We evaluated the design and operating effectiveness of key controls. We also performed follow-up procedures on audit findings and recommendations issued in prior audits and company compliance reviews to ensure that remediation efforts had been performed. Areas of audit emphasis included, but were not limited to, determining whether:

- Operations IT policies and procedures are in place and periodically reviewed,
- New hire access to the Operations network is approved and provisioned in accordance with departmental procedures,
- Terminated employee access is removed timely,
- Security awareness training is provided to Operations employees in accordance with departmental procedures,
- Administrative logical access to the Operations network is restricted based on least privilege,
- Firewall and internal intrusion detection system (IDS) devices are configured and restricted in accordance with departmental procedures,
- Critical IT assets are backed up in accordance with departmental procedures,
- The onsite server room has environmental and physical security controls in place in accordance with departmental procedures,
- Patches to workstations and servers are performed in accordance with policy,
- Workstations and servers have anti-virus/anti-malware protections in place in accordance with policy,
- Local administrative access to workstations and servers is restricted based on least privilege,
- Domain group password policies align with departmental and company policies,
- Physical access to the Operations network is restricted in accordance with departmental policy,

- Changes to systems are tracked and approved prior to going into production in accordance with departmental policy,
- Monitoring of alerts, changes, and potential security events are tracked and responded to timely, and
- Operations department processes corresponding to Power Distribution, Voltage Management, and Outage Reporting are functioning appropriately.

Corporate Governance, Culture and Stewardship Considerations

We considered corporate governance, culture, and stewardship initiatives that may have an impact on the scope of the audit. We did not identify any extraordinary initiatives that had an impact on the audit scope. Inherently, many of the procedures performed in our audit are focused on governance activities.

II. Overview of Results

During the course of our work, we discussed potential findings with management. A summary of these findings is provided in **Section III** along with a summary and definition of our assessment of the risk level.

In order to enhance your understanding of each specific finding, we have provided a response priority, defined as follows:

High - Requires immediate management attention. This is a serious internal control or risk management issue that may, with a high degree of certainty, lead to substantial losses, serious reputational damage, or significant adverse impact.

Medium - Requires timely management attention. This is an internal control or risk management issue that may lead to financial losses, reputational damage, or adverse impact, such as public sanctions or immaterial fines.

Low - Routine management attention is warranted. This is an internal control or risk management issue, the solution to which may lead to improvement in the quality and/or efficiency of the process being tested. Risks are limited.

Based on our procedures and assessment of the findings noted, we have provided an overall audit grade. The audit grade is not intended to usurp ultimate risk assessment responsibility, which is vested with the Audit Committee and management.

Overall audit grades are defined as follows:

Satisfactory - Findings are limited to minor deviations from policy or regulatory requirements resulting in nominal risk to NES. The design and operating effectiveness of controls evaluated during the audit appear adequate and reasonable. However, because of inherent limitations in any system of internal control, errors or irregularities may occur and not be detected. Therefore, absolute reliance should not be placed on these controls.

Needs Improvement - Findings include an aggregation of minor deviations and/or major deviations from policy or regulatory requirements resulting in reasonable probability of further misstatements or violations, if not corrected promptly. The design and operating effectiveness of controls evaluated during the audit appear to be less than adequate, and limited reliance can be placed on these controls.

Unsatisfactory - Findings include an aggregation of minor deviations and/or major deviations from policy or regulatory requirements resulting in probable misstatements or violations that could be significantly detrimental to NES. Immediate corrective action by high-level management, the Audit Committee, and possibly the Board will be desirable. Findings in this category will immediately be reported to the appropriate level to ensure timely action can be taken. The design and operating effectiveness of controls evaluated during the audit are not effective and should not be considered reliable.

III. Findings and Conclusion Summary

Based on the scope of the audit, the following table portrays the number of audit findings by response priority. Red reflects audit findings that are considered high response priority, yellow reflects audit findings of medium response priority, and green reflects findings of low response priority.

Internal Audit Area	Auditor's Grade	High	Medium	Low	Page
Cybersecurity Operations:					
Off-site Backup Tapes	Satisfactory	-	-	1	6
Total		-	-	1	

Status of Prior Audit Finding

The following table portrays the status of audit findings identified in the FY2024 Cybersecurity Operations and the FY2022 Power System Operations audits.

Internal Audit Area	Risk Rating	Number of Prior Findings	Number Unresolved Findings	Page
Findings From FY2024 Cyber Security Operations				
End of Life Server	Low	1	-	7
Uninterruptible Power Supply Testing	Low	1	-	7
Findings From FY2022 Power System Operations:				
Lack of Risk-Based Categorization and Rationale of Applying Patches	N/A	1	1	8
Self-Reporting Criteria and Reporting Thresholds	N/A	1	1	9
Patch Ticketing System and Process Missing Key Elements	N/A	1	1	9
Existing Vulnerability Identification Process	N/A	1	-	10
Total		6	3	

Conclusion Summary

There were no high risk issues identified during our procedures. The findings noted do not appear to represent a significant risk at this time. However, our recommendations to these findings provide an opportunity for NES to strengthen internal controls. Our detailed findings and recommendations are described in **Section IV** of this report.

Resolution of the prior audit findings are summarized in **Section V** of this report.

We appreciate the cooperation extended to us by personnel at NES and are pleased to be of service. If there are any questions or comments regarding this report, please contact us. Contact information for the Director and Assistant Director of Internal Audit responsible for this work is presented below.

Scott Nalley, CIA, CISA, CISSP
Director of Internal Audit
615-782-4252
snalley@kraftcpas.com

Patrick Clark, CIA
Assistant Director of Internal Audit
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pclark@kraftcpas.com

IV. Findings and Recommendations

Finding 2025-01: Off-Site Tape Backup

Response Priority: Low

Although NES is performing digital backups as required by the NERC standard “Recovery Plans for Critical Cyber Assets” (CIP-009), NES no longer complies with its internally written BES Cyber System Requirement Plan policy which requires NES to maintain tape backups that are periodically taken to an offsite location. Additionally, the internal policy does not require tapes to be catalogued when transferred offsite; therefore, management was unable to produce a log of all tape backups that have been transferred offsite.

Risk: Recent off-site tape backups may not be available if needed for restoration in the event of a business continuity or disaster recovery event that renders digital backups usable or unavailable.

Recommendation: System Operations management should modify its Cyber System Recovery Plan to clarify and document the frequency that backup tapes should be transported to the off-site location. Additionally, management should create a log to evidence when backup tapes are transferred off-site that includes information to easily identify where recent backup tapes are stored so they can be quickly located when needed.

Management’s Response: NES will modify its Cyber System Recovery Plan to define a monthly tape rotation cadence. Additionally, NES will develop a method to log and track the transfer of those tapes.

Responsibility: Landon Roeder

Implementation Date: September 30, 2025

V. Status of Prior Findings

In order to keep the Audit Committee informed of the status of prior recommendations, the following table summarizes previous findings and their status, if not previously remediated:

Findings Noted During 2024 Cybersecurity Operations			
Issue Description	Risk Level	Disposition	Management Response
End of Life Server End-of-life servers that are not up to date on patches are in use on the operations network. The mail server in the Delta Domain (a test domain) is running on the end-of-life operating system, Windows Server 2012, and available patches have not been applied. While security patches have been applied to other, more critical Server 2012 machines, a lack of regular review of the asset listing, including each assets operating system, allowed for the email server to be missed when determining which servers required end-of-life patches.	Low	Management purchased extended service contracts and accepted the risk of continued use of the end-of-life servers. Additionally, management has a plan to phase out use of these end-of-life servers once the change management application is replaced. Residual risk is accepted.	Not Applicable.
Uninterruptible Power Supply Testing The uninterruptible power supply (UPS) for the onsite server room had not been tested since August of 2022, there was no identified	Low	Management performed UPS testing throughout the period on all Ups devices. Additionally, a contractor has been selected to perform generator and UPS testing on a periodic basis.	Not Applicable.

Findings Noted During 2024 Cybersecurity Operations			
Issue Description	Risk Level	Disposition	Management Response
plan to perform testing on the UPS on a regular basis, and the previous service contract for all UPS devices lapsed in November 2023.		Issue appears resolved.	

Findings Noted During 2022 Power System Operations			
Issue Description	Risk Level	Disposition	Management Response
<p><i>Lack of Risk-Based Categorization and Rationale of Applying Patches</i></p> <p>NES had not developed a formal rationale for which patches were applied and in what timeline. Also, NES did not have a process in place to score/rate a security patch based on the vulnerability(ies) that it was mitigating utilizing metrics, such as Common Vulnerability Scoring System (CVSS) and/or vendor patch ratings. NERC Standard CIP-007 (Part 2.3) requires that within 35 days of evaluation completion (determination if security patches are available), patches must either be applied, a dated mitigation plan</p>	N/A	Issue does not appear to be resolved.	<p><i>Management Response:</i> Operations has begun to categorize and rank their cyber assets according to their importance and risk to the BES. This will enable us to further develop a vulnerability risk matrix that translates to this risk-based categorization and rationale of applying patches.</p> <p><i>Responsibility:</i> Jack Baxter, Kevin Phelps, and Landon Roeder</p> <p><i>Target Date:</i> December 31, 2025</p>

Findings Noted During 2022 Power System Operations			
Issue Description	Risk Level	Disposition	Management Response
must be created or an existing mitigation plan must be revised. Currently, all security patches are applied within the 35-day time frame, regardless of their severity or applicability to the NES environment. Additional flexibility could be achieved by documenting a time frame rationale based on the severity of vulnerabilities associated with current patch.			
Self-Reporting Criteria and Reporting Thresholds A threshold for self-reporting NERC CIP patch “misses” based on potential risk to the BES had not been developed or documented. Currently, any and all patch violations are self-reported, regardless of mitigating factors and potential risk to NES or the BES, and there is not specified criteria for rating potential risk to NES or the BES.	N/A	Issue does not appear to be resolved.	Management Response: NES has issued an RFP for engineering services. Operations intends to leverage this contract to have an independent review performed of the patching and self-reporting processes. Responsibility: Jack Baxter, Kevin Phelps, and Landon Roeder Target Date: July 1, 2026
Patch Ticketing System and Process Missing Key Elements	N/A	Issue does not appear to be resolved.	Management Response: After multiple attempts to reconfigure and upgrade the existing

Findings Noted During 2022 Power System Operations			
Issue Description	Risk Level	Disposition	Management Response
<p>NES is not using a standard ticketing system with commonly used ticket workflows, ticket closure process requirements, and linkage of ticket item with asset inventory. NES is currently using SharePoint-based ticketing, which is developed and maintained by NES operations support staff. This is a standalone system and is accessed by the NES operations support staff only. During our review, we identified the following:</p> <ul style="list-style-type: none"> The process to close tickets for patches implemented is informal. There is no defined process in place to verify or “sign off” that a change has been implemented prior to closing a ticket. Tickets informally use specific days of the month to identify if a change is related to NERC CIP/security patching, rather than having a field to clearly identify this. The ticketing process does not link to an asset inventory; thus, changes 			<p>SharePoint change management solution, NES has proceeded with procuring a replacement solution. Implementation of the ServiceAide ChangeGear product is pending.</p> <p>Responsibility: Kevin Phelps and Landon Roeder</p> <p>Target Date: December 31, 2025</p>

Findings Noted During 2022 Power System Operations			
Issue Description	Risk Level	Disposition	Management Response
cannot be easily linked to their affected assets.			
Existing Vulnerability Identification Process Internal vulnerability scanning was limited to scanning for open ports (especially for system baseline changes), which did not necessarily identify system vulnerabilities. Further, while an annual vulnerability assessment was completed, a proper vulnerability scanning tool was not used on a recurring basis to assist in identifying missed or failed patches.	N/A	Management updated the CIP-010 policy to reflect that current annual audits meet the standards set forth in CIP-010. Additionally, management has determined that vulnerability scans will not be performed on a recurring basis. Issue appears resolved.	Not Applicable.



Nashville Electric Service Power Systems Operations Recommendations and Best Practices

To: Jack Baxter, Kevin Phelps, Landon Roeder

From: Baker Tilly

Date: July 10, 2025

During our review covering the period April 1, 2024 through March 31, 2025, the following areas were not considered to be findings within the audit report, but were noted as areas for potential improvement or are recommendations based on best practice:

Policy and Procedure

- While NES is actively interviewing for open positions within the System Operations department, key person issues appear to exist. During our testing we identified that employees appear to be assigned job responsibilities that would typically be assigned to multiple employees. If key employees were to leave the department, NES would likely have a hard time meeting stated goals and objectives, due to lack of cross training. System Operations management should continue to cross train employees, while paying special attention to the cross training of management-related functions.
- Physical access and training reviews were performed using a PeopleSoft report which did not contain a complete list of contractors with Critical Infrastructure Protection (CIP) clearance. Although the access and training reviews appeared adequate for all contractors with CIP clearance, System Operations management should use Oracle HCM to generate reports for all personnel-based access and compliance reviews, as HCM is the system of record.

Logical Security

- Responses or acknowledgements are not regularly retained for SIEM alerts. While all alerts tested appeared to be addressed, if needed, System Operations management should consider identifying the highest priority alert types from their SIEM and ensure that a response or acknowledgement for each high priority alert is documented.
- Splunk logs are retained based on disk availability instead of based on a minimum number of days and alerts are not enabled to indicate Splunk indexes are nearing capacity. System Operations management should consider enabling an alert when an index nears its capacity limit to ensure logs are not prematurely deleted prior to the 90-day retention requirement, or ensure all logs have a minimum retention of 90 days, as required by NERC CIP-007 regulations.



- It was determined that two active users within the Alpha domain did not have a password last set date, which could indicate no password exists for that account. System Operations management should determine if these accounts are required, and if not, they should disable the accounts.
- An annual review of service and generic user accounts is not performed. Although generic and service accounts are continuously monitored via updates to the Tripwire User Account Whitelist, System Operations management should consider performing a full review of generic and service accounts annually to ensure all accounts are still required.



Nashville Electric Service

FY2025 Timekeeping and Payroll

Internal Audit Report

For the Period: January 1, 2024 through March 31, 2025



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Nashville Electric Service

Timekeeping and Payroll
Internal Audit – FY2025

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Report Distribution:	<u>Name</u>	<u>Title</u>
	Trish Holliday	VP Chief People Officer
	David Frankenberg	VP Chief Financial Officer
	Tabitha Beach	Corporate Controller
	Emily Williams	Talent Acquisition Manager
	Jeff Eck	Compensation & Benefits Manager
	Tammy Hitchcock	Accounting Supervisor
	Tim Stofka	Director of Applications

Additional Distribution:	<u>Name</u>	<u>Title</u>
	Rob McCabe	Audit Committee Chair
	Teresa Broyles-Aplin	President & CEO
	Brent Baker	EVP Chief Operations & Innovation Officer
	Laura Smith	VP Chief Legal Officer & General Counsel
	Ron Womble	VP Chief Information Officer

I. Executive Summary

Introduction

Baker Tilly Advisory Group, LP has performed certain internal audit services for Nashville Electric Service (NES) related to a review of time and labor, payroll withholdings, payroll processing, and posting payroll to the General Ledger processes. Our fieldwork was performed May 2025 through June 2025. The audit covered the period from January 1, 2024 through March 31, 2025. Our primary objective was to independently and objectively test and assess the internal controls related to **Timekeeping and Payroll**. Our services were performed in accordance with the terms of our contract with an effective date beginning on June 1, 2021. We conducted this audit in accordance with Generally Accepted Government Auditing Standards and the *International Standards for the Professional Practice of Internal Auditing*. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Scope

We evaluated the design and operating effectiveness of key controls. Areas of audit emphasis included, but were not limited to, determining whether:

- Policies and Procedures related to Timekeeping, Compensation & Benefits, and Payroll are in place and current,
- Hours worked/earned (regular, overtime, vacation, etc.) are recorded and approved in accordance with the organization's policies and procedures,
- Timekeeping corrections are properly supported and approved in accordance with the organization's policies and procedures,
- Hours paid agree with hours approved,
- Employees are paid and compensated in accordance with the organization's policies and procedures,
- Pay rates, rate increases, and other pay adjustments are properly supported and approved in accordance with the organization's policies and procedures,
- Payroll deductions are processed in accordance with the organization's policies, procedures, and applicable laws, as well as individual employee elections (e.g., Form W-4, benefit elections, other withholdings, etc.), and other legally required deductions, such as garnishments,
- Payroll transactions are initiated in accordance with the organization's policies and procedures,
- Payroll is properly approved in accordance with the organization's policies and procedures,
- Payroll transactions are properly recorded in the Oracle Human Capital Management (HCM) system and the general ledger and accounts are reconciled and approved in accordance with the organization's policies and procedures,

- Individuals paid are employees of the organization,
- Segregation of duties are established and monitored in accordance with the organization's policies and procedures for timekeeping, compensation and benefits, and payroll processes, and
- HCM and PeopleSoft user access is properly restricted based on roles and responsibilities and monitored in accordance with the organization's policies and procedures.

Additionally, in conjunction with this audit, management requested that we assist them in identifying and documenting the various access points to pay rate and salary information. The information gathered has been provided to management.

Corporate Governance, Culture and Stewardship Considerations

We considered corporate governance, culture, and stewardship initiatives that may have an impact on the scope of the audit. We did not identify any extraordinary initiatives that had an impact on the audit scope. Inherently, many of the procedures performed in our audit are focused on governance activities.

II. Overview of Results

During the course of our work, we discussed potential findings with management. A summary of these findings is provided in **Section III** along with a summary and definition of our assessment of the risk level.

In order to enhance your understanding of each specific finding, we have provided a response priority, defined as follows:

High - Requires immediate management attention. This is a serious internal control or risk management issue that may, with a high degree of certainty, lead to substantial losses, serious reputational damage, or significant adverse impact.

Medium - Requires timely management attention. This is an internal control or risk management issue that may lead to financial losses, reputational damage, or adverse impact, such as public sanctions or immaterial fines.

Low - Routine management attention is warranted. This is an internal control or risk management issue, the solution to which may lead to improvement in the quality and/or efficiency of the process being tested. Risks are limited.

Based on our procedures and assessment of the findings noted, we have provided an overall audit grade. The audit grade is not intended to usurp ultimate risk assessment responsibility, which is vested with the Audit Committee and management.



Overall audit grades are defined as follows:

Satisfactory - Findings are limited to minor deviations from policy or regulatory requirements resulting in nominal risk to NES. The design and operating effectiveness of controls evaluated during the audit appear adequate and reasonable. However, because of inherent limitations in any system of internal control, errors or irregularities may occur and not be detected. Therefore, absolute reliance should not be placed on these controls.

Needs Improvement - Findings include an aggregation of minor deviations and/or major deviations from policy or regulatory requirements resulting in reasonable probability of further misstatements or violations, if not corrected promptly. The design and operating effectiveness of controls evaluated during the audit appear to be less than adequate, and limited reliance can be placed on these controls.

Unsatisfactory - Findings include an aggregation of minor deviations and/or major deviations from policy or regulatory requirements resulting in probable misstatements or violations that could be significantly detrimental to NES. Immediate corrective action by high-level management, the Audit Committee, and possibly the Board will be desirable. Findings in this category will immediately be reported to the appropriate level to ensure timely action can be taken. The design and operating effectiveness of controls evaluated during the audit are not effective and should not be considered reliable.

III. Findings and Conclusion Summary

Based on the scope of the audit, the following table portrays the number of audit findings by response priority. Red reflects audit findings that are considered high response priority, yellow reflects audit findings of medium response priority, and green reflects findings of low response priority.

Internal Audit Area	Auditor's Grade	High	Medium	Low	Page
Timekeeping and Payroll:					
Manual Leave Accrual Adjustments	Needs Improvement	-	1	-	6
PeopleSoft User Access Review		-	1	-	7
Bereavement Leave Coding		-	-	1	8
Total		-	2	1	

Conclusion Summary

There were no high risk issues identified during our procedures. The findings noted do not appear to represent a significant risk at this time. However, our recommendations to these findings provide an opportunity for NES to strengthen internal controls. Our detailed findings and recommendations are described in **Section IV** of this report.

We appreciate the cooperation extended to us by personnel at NES and are pleased to be of service. If there are any questions or comments regarding this report, please contact us. Contact information for the Director and Assistant Director of Internal Audit responsible for this work is presented below.

Scott Nalley, CIA, CISA, CISSP
Director of Internal Audit
615-782-4252
snalley@kraftcpas.com

Patrick Clark, CIA
Assistant Director of Internal Audit
615-921-5997
pclark@kraftcpas.com

IV. Findings and Recommendations

Finding 2025-01: Manual Leave Accrual Adjustments

Response Priority: **Medium**

PeopleSoft is not configured to ensure that manual leave accrual adjustments are authorized and properly supported. Specifically:

- Timekeeping employees have the ability to post adjustments to their own leave balances,
- PeopleSoft is not configured to route manual adjustments for approval,
- PeopleSoft is not configured to require a notification be sent to the Timekeeping department manager, nor does the system require the Leave Accrual Adjustment report be generated when an adjustment is processed. The system is configured to allow these processes to occur, but they are not systematically required, and
- The on-screen PeopleSoft report of manual leave adjustments is limited to six months rolling transaction history and provides no details of the hours adjusted nor the employee accounts impacted.

We reviewed manual leave adjustments processed between December 2024 and May 2025 and identified one adjustment posted by a Timekeeping employee to their own account. This adjustment was an additional donation of hours to an employee through the Leave Donation Program, made by the Timekeeping employee and an updated Leave Transfer Form was not completed in accordance with policy. Other documentation was obtained regarding this adjustment, and it was determined that the adjustment was appropriate. The Timekeeping employee's initial donation of hours was properly supported by a Leave Transfer Form.

Risk: Unauthorized adjustments may occur and not be detected and resolved timely.

Recommendation: The Chief People Officer and Talent Acquisition Manager should consult IT management to determine if an automated solution is feasible and can be implemented to 1) prevent a user from making adjustments to their own account, 2) route manual leave adjustments through a workflow for approval, prior to posting an adjustment, and/or 3) require an email notification be sent to the Talent Acquisition manager that includes the transaction details (i.e. the adjustment date, time, hours, employee(s) account, and userid that processed the adjustment). Alternatively, management should request IT personnel to create a detailed report of all manual adjustments processed that can be generated for a specified date range. The manual adjustments report should be periodically reviewed and approved by the Talent Acquisition manager and retained.

Management's Response:

- The Talent Acquisition Manager and IT management are working on coding the BFT033 process to automatically “stop or fail” if the employee id associated with the user id running the process is included in the text file being processed.
- IT management is researching if they can modify the output file to strictly be email and distribute to more than one user, by default.
- The Talent Acquisition Manager will continue to work with IT management to determine a solution for an ad-hoc report of adjustments.

Responsibility: Trish Holliday and Emily Williams

Implementation Date:

- Coding of the BFT033 Process - December 31, 2025
- Output File Distribution - December 31, 2026
- Ad-hoc Report of Adjustments - December 31, 2026

Finding 2025-02: PeopleSoft User Access Review

Response Priority: **Medium**

A periodic review of PeopleSoft users' access is not required to be performed, and a comprehensive review has not been performed in several years. During our review of PeopleSoft users' access as of April 2025, we identified the following:

- One employee transferred from the Human Resources department to the Training department, but retained their Human Resource user role, which is not needed based on their current job responsibilities,
- One employee transferred from the Accounting department to the Accounts Payable department, but retained their Accounting user role, which is not needed based on their current job responsibilities, and
- Three Accounting department personnel responsible for processing payroll have a “Timekeeper” user role that allows them to edit all employees' timekeeping (hours worked) records in PeopleSoft which creates a segregation of duties conflict. We reviewed timekeeping entries processed by these individuals for the period January through June 2025 and did not identify any unusual transactions.

Once these situations were identified by Internal Audit, the specific PeopleSoft access for the employees that transferred departments was removed and the Timekeeper access for Accounting department personnel was modified to view only.

Risk: The absence of periodic user access reviews increases the risk that employees maintain inappropriate or excessive access rights, which may result in unauthorized access to sensitive or confidential information or allow unauthorized transactions to be processed and not detected timely.

Recommendation: The Chief People Officer and Talent Acquisition Manager should work with IT management to document and implement a policy and practice requiring PeopleSoft user access to be reviewed at least annually and management should consider facilitating this review through the Okta Access Certification process. The Chief People Officer should commence a full and comprehensive review of PeopleSoft user roles and access privileges currently assigned to ensure proper segregation of duties between Timekeeping, Compensation and Benefits, Payroll and Accounting functions, and that users' access is appropriate for their current job responsibilities.

Management's Response: A comprehensive review of current PeopleSoft user roles and access privileges will be completed followed by ongoing quarterly access reviews.

Responsibility: Trish Holliday

Implementation Date: June 30, 2026

Finding 2025-03: Bereavement Leave Coding

Response Priority: **Low**

Employees do not always use the appropriate absence code when recording paid time off for bereavement leave in accordance with NES policy. For bereavement time off recorded during the period January 2024 through March 2025, we identified four employees that incorrectly coded all bereavement leave to the funeral travel code in PeopleSoft, rather than using the appropriate bereavement leave code. Additionally, the PeopleSoft system is not currently configured to limit the maximum number of days (hours) that can be entered by bereavement code for each bereavement taken (e.g., maximum of 8 hours for funeral travel, per bereavement time off).

Per NES Policy, employees may take one to four days of bereavement leave based on their relationship with the deceased. An additional day may be granted only if travel for bereavement exceeds 150 miles from the employees' residence.

Risk: Incorrect coding of bereavement leave increases the risk of non-compliance with NES Policy, leading to inaccurate leave reporting and potential misuse of paid bereavement time off.

Recommendation: The Chief People Officer and Talent Acquisition Manager should recommunicate the NES Bereavement Policy to NES employees and provide any additional training that may be needed to facilitate compliance with the policy and the proper recording of absences in PeopleSoft. Additionally, management should consult IT management to determine if an automated solution is feasible and can be implemented to restrict the maximum number of days (hours) that can be entered by bereavement code for each bereavement taken.

Management's Response: The Bereavement Leave Policy will be re-communicated to supervision by December 2025, to increase awareness of the appropriate time reporting codes and applicable duration approved with each time reporting code. We will continue to explore automated options with IT.

Responsibility: Trish Holliday and Emily Williams

Implementation Date: December 31, 2025



The PwC audit

Experience beyond numbers

Electric Power Board of the Metropolitan Government of Nashville and Davidson County

Audit results

Report to the Members of the Audit and Ethics Committee

CONFIDENTIAL

This report and the information that it contains is intended solely for the information and use of the Audit Committee and, if appropriate, management, and is not intended to be, and should not be used by anyone other than these specified parties.

The PwC Audit

Experience beyond numbers

August 22, 2025

Dear Members of the Audit and Ethics Committee of the Electric Power Board of the Metropolitan Government of Nashville and Davidson County:

We are pleased to submit our Report to the Members of the Audit and Ethics Committee related to the results of our fiscal year end 2025 audit of the Electric Power Board of the Metropolitan Government of Nashville and Davidson County (the "Company"). Our report includes an update on the status of our audit, a summary of the results of our audit work, and other required communications. We have also highlighted how our human-led, tech-powered approach enhanced audit quality and contributed to a more streamlined, tailored experience, enriched by meaningful insights.

This report has been prepared in advance of our meeting and prior to the completion of our procedures. Other matters of interest to the Members of the Audit and Ethics Committee may arise, which we will bring to your attention at our meeting.

We look forward to presenting this report on your PwC Audit. If you have any questions or wish to discuss any other matters prior to our meeting, please do not hesitate to contact me at (504) 460-6463 or richard.call@pwc.com.

Very truly yours,

A handwritten signature in blue ink, appearing to read "Richard Call", with a stylized flourish at the end.

Richard Call
Engagement Partner

What's Inside

- 1 Highlights
- 2 Audit Results
- 3 Other required communications
- 4 Appendices



Highlights

Highlights

Significant changes to audit plan

- There were no significant changes to the audit plan presented on January 22, 2025.
- Our final Materiality thresholds have remained consistent with our preliminary, planning thresholds

The results of our risk assessment include the identification of the following:

Significant Risks

- Management override of controls

Critical Accounting Estimates

- None

While management uses certain estimates within their financial reporting, we noted that based upon our assessment of the relative estimation risk, subjectivity and complexity, these estimates did not rise to a critical accounting estimate. We did, however, perform appropriate audit procedures over these estimates and the resulting balances.

Status of the audit

- Substantially completed our audits of the financial statements.
- Expect to issue our unqualified opinion in September 2025.
- Draft audit report in Appendix III
- The remaining items we are in the process of finalizing as of the mailing of this report include:
 - Specialist reviews of pension liability
 - Final documentation review of audit procedures
 - Financial statement tie-out
 - Subsequent events procedures
 - Signing of management representation letters and updated legal letters

Independence and other required communications

- There were no matters identified that might reasonably be thought to bear on our independence.
- We did not identify any material potential or known fraud.
- There were no disagreements with management.
- We did not identify any instances of non-compliance with laws and regulations which would materially impact the financial statements.
- No recorded or unrecorded misstatements were identified.
- There were no matters identified rising above the level of a control deficiency.

Highlights

Other Matters

- Performed procedures over the new and upgraded IT systems, including testing of data conversion and assessment of the design and implementation of controls around the implementations, over the following as part of our FY25 audit. Those systems addressed were:
 - Customer to Meter (“C2M”) implementation
 - ERP upgrades to Flexi and Ellipse
- In the period under audit, NES adopted the following accounting pronouncements:
 - GASB Statement No. 101, Compensated Absences
 - GASB Statement No. 102, Certain Risk Disclosures

Our commitment to you

- We have worked with management to tailor our timing and accelerate the completion of our procedures several weeks in advance of our historic timeframe.
- We have worked with executive management to ensure a seamless transition of engagement team personnel, as well as key management contacts.
- We provided Management with access to certain PwC professionals for discussions and insights associated with the Board's customer information system implementation.
- We have provided Management with industry thought leadership and perspectives over ESG, Artificial Intelligence and Cyber Security.

2

Audit results

Status of our audit

Audit report

We expect to issue our unqualified report upon completion of the remaining open items. A draft of the audit report is included as Appendix III. Our audit deliverables include:

- Audit report on the GAAP financial statements in accordance with GAAS and Government Auditing Standards
 - Long-Form Report
 - Short-Form Report
 - Annual Report (aka "Color Copy" Report)
- Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

Significant changes to the audit plan

We presented our planned audit approach, including our preliminary risk assessment, and related scoping considerations to the Audit and Ethics Committee on January 22, 2025. Throughout the audit, we continuously evaluate the appropriateness of our audit strategy. There were no changes to our materiality thresholds, and there were no significant changes to the planned audit approach.

Remaining items to complete

We have substantially completed our audits of the financial statements. The remaining items we are in the process of finalizing as of the mailing of this report include:

- Specialist reviews of pension liability
- Final documentation review of audit procedures
- Financial statement tie-out
- Subsequent event procedures
- Signing of management representation letters and legal letters

Other Deliverables

- Audit report on Post-Employment Benefit Plan GAAP financial statements in accordance with GAAS and Government Auditing Standards
- Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards for the Post-Employment Medical & Life Insurance Plan Trust
- Report on the Company's compliance with requirements applicable to each major federal program and on our consideration of its internal control over compliance, as required under the OMB Uniform Guidance

Audit risks and results

Significant Risk – Management override of controls (presumed fraud risk)

Related Accounts (including relevant assertions)

Pervasive (all assertions)

Audit response

- Met with senior management, including those outside of the finance organization to perform fraud inquiries and obtain an understanding of their perspective on the risk of fraud and the related susceptibility of the Company and Plan financial statements to material misstatement
- Evaluated the Company's programs and controls that address identified risks of material misstatements caused by fraud including the review of journal entries, inquiries of management and performing disaggregated analytical procedures over revenue.
- Performed procedures on a selection of journal entries through use of Halo for Journals
- Met with Compliance and Controls to understand any whistleblower matters and other code of conduct violations.
- Performed procedures over significant management estimates in the financial statements as well as any unusual transactions, and suspense/intercompany accounts.
- Performed unpredictable audit procedures to identify accounting misstatements due to fraud or error

Audit Results

- We identified no matters through fraud interviews performed with members of management and other personnel.
- We identified no issues through journal entry testing using Halo for Journals.
- There were no whistleblower matters or code of conduct violations that impacted the audit.
- Our procedures over management's estimates did not identify any management biases, and we determined that these estimates were reasonable.
- We designed certain unpredictable procedures, noting no indications of either fraud or error.
- There were no transactions that were determined to be significant, unusual transactions.

ERP Upgrades

Management completed the ERP upgrades for Flexi and Ellipse. We are finalizing the following procedures performed in relation to Management's ERP upgrades:

- Assessment of Management's controls over the upgrades, noting no deficiencies in the design of the controls
- Validation of data conversion.

Audit risks and results

Other Relevant Risks – Revenue and Accounts Receivable

Related Accounts (including relevant assertions)

Revenue, Accounts Receivable (C, CO, A, E/O, P&D)

Audit response

- Performed walkthroughs of the business cycle to test the design and implementation of key controls; perform tests of operating effectiveness of select Revenue/AR controls.
- Performed risk assessment analytic procedures on electric revenue.
- Tested revenue transactions for the residential, commercial, and streetlight & highway revenue streams
- Tested reconciliations of accounts receivable general ledger accounts.
- Confirmed and “liquidated” receivables balances at year-end on a test basis.
- Tested management’s process for developing the estimate of unbilled revenue at year-end.
- Performed retrospective review of unbilled revenue as compared to actual billings.
- Assessed the reasonableness of AR reserves at year-end.

Note: We have rebutted the presumed risk of fraud in revenue recognition.

Audit Results

- Based on walkthrough procedures performed, we did not identify any material weaknesses in the design of the related control environment
- Revenue analytics performed for electric revenue were in line with expectations
- No exceptions were noted through detailed testing of revenue transactions, testing of account reconciliations, and liquidation of A/R balances
- We consider the estimate of the unbilled revenue balance at year-end, as well as the estimate for the allowance for doubtful accounts, to be reasonable.

Customer to Meter (“C2M”) Implementation

Management completed the implementation of C2M, phasing out the prior system, CIS. The following procedures were performed in relation to Management’s implementation of C2M:

- Assessment of Management’s controls over the implementation, noting no deficiencies in the design of the controls
- Validation of data conversion between CIS and C2M. No issues were identified.

Audit risks and results

Other Relevant Risks – Utility Plant Assets

Related Accounts (including relevant assertions)

Utility plant assets (E, A, V, P&D)

Audit response

- Performed walkthroughs of the business cycle to test the design and implementation of key controls;
- Tested the roll forward of Utility plant assets
- We tested the following:
 - Additions to CWIP during the fiscal year
 - Transfers of completed work orders from CWIP to Utility Plant Asset during the year, including a review of CWIP aging, and
 - Retirements
- Performed procedures to assess the appropriateness of capital vs. operating work order expenditures.
- Assessed the method of calculating depreciation and tested that depreciation expense is being calculated accurately.
- Evaluated for any triggering events for impairments

Audit Results

- Based on walkthrough procedures performed, we did not identify any material weaknesses in the design of the related control environment
- No exceptions were noted through detailed testing of the roll forward or the associated material activity within Utility Plant Assets
- Based on procedures performed, the capital versus operating expense classification was determined to be appropriate and aligned with policy
- No exceptions were noted with the method of calculating depreciation or the associated calculations.
- Based on procedures performed, we did not identify any potential impairments.

Our commitment to you

Listening, understanding, delivering...

An audit experience that's uniquely yours

Understanding perspectives

We both bring diverse experiences to the table. We'll continue to ask thoughtful questions to develop a deeper understanding of the matters and your perspective on them.

Working effectively

We have taken advantage of what your team has done to reduce overall audit burden and have been able to tailor procedures geared at the classification of expenditures.

Phasing thoughtfully

We have distributed our audit thoughtfully throughout the year, achieving our goal to discuss, test and resolve accounting matters as they surfaced each quarter. We have substantially completed our audit of the financial statements. As communicated to you previously in our timeline and communication plan as part of our audit plan, we completed walkthroughs during May and June and completed interim testing of controls and for utility plant assets and revenue.

Business that's personal

Open, two-way communication

We'll continue to work together to establish a communication cadence that's right for you, but we know that issues don't wait. You can count on us—to answer the call, with timely, ongoing dialogue and real-time discussions when needed.

Bringing the right knowledge to the table

Rich leads our issues resolution process, speaking for the firm on all audit matters and leading a transparent process that directly involves all relevant parties from the beginning. PwC and USI actuaries met to discuss the 2025 actuarial studies ahead of the commencement of year-end fieldwork.

Reflection and celebration

We'll both self-reflect and reflect jointly with you to drive continuous improvement in the audit process. We take time to connect with you and celebrate your important milestones, like the successful go-live of Encompass project initiatives

Solve big, think bigger

Sharing permissible insights

You can count on us to provide insights within the context of our role and continue to share objective perspectives on topics that are important to you. Drawing on deep industry knowledge, we think beyond the audit and consider how assurance connects to your broader business objectives. Where insights fall under non-audit services, we have obtained and will continue to obtain audit committee pre-approval. We have included PwC Insights that we believe you will find relevant in the Appendices.

Advancing audit technologies

Our audit technology works behind the scenes to make your experience smarter and more streamlined. By automating key tasks and improving coordination, we reduce disruption, deliver deeper insights, and keep quality at the forefront.

Applying AI responsibly

We have thoughtfully integrated AI across the audit to enhance quality—not replace judgment. Our teams used AI to analyze data more deeply, identify anomalies sooner, and apply digital quality checks. These actions are all grounded in strong governance.



Other required communications

Other required communications

Matter to report	No	Yes	Comments
Independence	√		There were no independence matters that occurred or were identified subsequent to January 22, 2025, the date of our most recent communication provided to the Members of the Audit and Ethics Committee.
Fraud	√		We did not identify any material potential or known fraud.
Non-compliance with laws and regulations	√		We are not aware of any instances of non-compliance with laws and regulations.
Related Parties	√		After evaluating the company's identification of, accounting for, and disclosure of its relationships and transactions with related parties, we have identified no significant findings or issues arising during the audit in connection with the company's related parties.
Quality of the company's financial reporting	√		<p>We have considered the qualitative aspects of the company's significant accounting policies and practices and we identified no reportable matters.</p> <p>We have evaluated whether the difference between (1) estimates best supported by the audit evidence and (2) estimates included in the financial statements, which are individually reasonable, indicate a possible bias on the part of the company's management. We did not identify any.</p> <p>We have performed an evaluation of whether the presentation of the financial statements and the related disclosures are in conformity with the applicable financial reporting framework, including our consideration of the form, arrangement, and content of the financial statements (including the accompanying notes). We did not identify any instances of non-conformity.</p>
Alternative accounting treatments	√		We did not identify any alternative treatments permissible under US GAAP or GASB for accounting policies and practices related to material items, including recognition, measurement, and presentation and disclosure.

Other required communications

Matter to report	No	Yes	Comments
Material uncertainties related to events and conditions (specifically going concern)	√		There were no conditions and events that we identified that indicate that there is substantial doubt about the Company’s ability to continue as a going concern.
Other information in documents containing audited financial statements	√		<p>AICPA Auditing Standards Board Statement on Auditing Standards No. 137 (SAS 137) requires that we communicate to you our responsibility with respect to other information, the procedures performed related to the other information, and the results.</p> <p>These standards require that we read other information, whether financial or nonfinancial, included in the Company’s annual report and consider whether a material inconsistency exists between the other information and the financial statements and to remain alert for indications that</p> <ul style="list-style-type: none"> • A material inconsistency exists between the other information and the auditor’s knowledge obtained in the audit, and/or • A material misstatement of fact exists or the other information is otherwise misleading. <p>We assume no obligation to perform procedures to corroborate such other information as part of our audit.</p> <p>As it relates to other information included in the annual report, refer to the management representation letter attached for management’s written acknowledgment of the document(s) which comprise the annual report and the planned manner and timing of issuance of those document(s). We have completed some of our procedures over the other information and have not identified uncorrected material inconsistencies, material misstatements or statements that are otherwise misleading, and we will complete our remaining procedures over the other information included within the color copy of the report within 30 days of issuance. If a material inconsistency, material misstatement or statement that is otherwise misleading is identified and uncorrected by management, we will inform you accordingly.</p>

Other required communications

Matter to report	No	Yes	Comments
Disagreements with management	√		There were no disagreements with management.
Consultation with other accountants	√		We are not aware of any consultations management has had with other accountants about significant accounting or auditing matters.
Difficulties encountered during the audit	√		There were no significant difficulties encountered during the audit.
Difficult or contentious matters	√		There were no difficult or contentious matters for which we consulted outside the engagement team and we reasonably determined are significant and relevant to those charged with governance regarding the responsibility to oversee the financial reporting process.
Other material written communications		√	Appendices include a copy of other material written communications with management, including a copy of management's representation letter (Appendix IV).
Other matters	√		There were no other matters arising from the audit that are significant and relevant to the oversight of the company's financial reporting process.
PwC Audit Quality Report	√		Our Audit Quality Report shares how our culture, values, people and processes come together to help us achieve our audit quality objectives. Our Audit Quality Report is included as Appendix II.
Audit Findings	√		No recorded or unrecorded misstatements were identified. There were no matters identified rising above the level of a control deficiency.

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Appendices

Appendices

Sharing Insights from PwC	I
PwC Audit Quality Report	II
Audit report drafts	III
Management representation letter drafts	IV
Glossary	V

Appendix I - Sharing PwC Insights

It is customary that we will provide firm-developed thought leadership and relevant insights that encompass not only matters closely related to the audit but also overall business trends and insights. As part of our internal process, we determine if the insight being provided is a service and, if it is, then determine if that service would likely be considered part of the audit service or a separate, non-audit service. Generally, insights that involve analyzing client information and providing advice and recommendations specific to the client are likely to be considered a service. Insights that are considered non-audit services are subject to the Audit Committee's pre-approval process and our Firm's relevant controls.

Innovation and technology

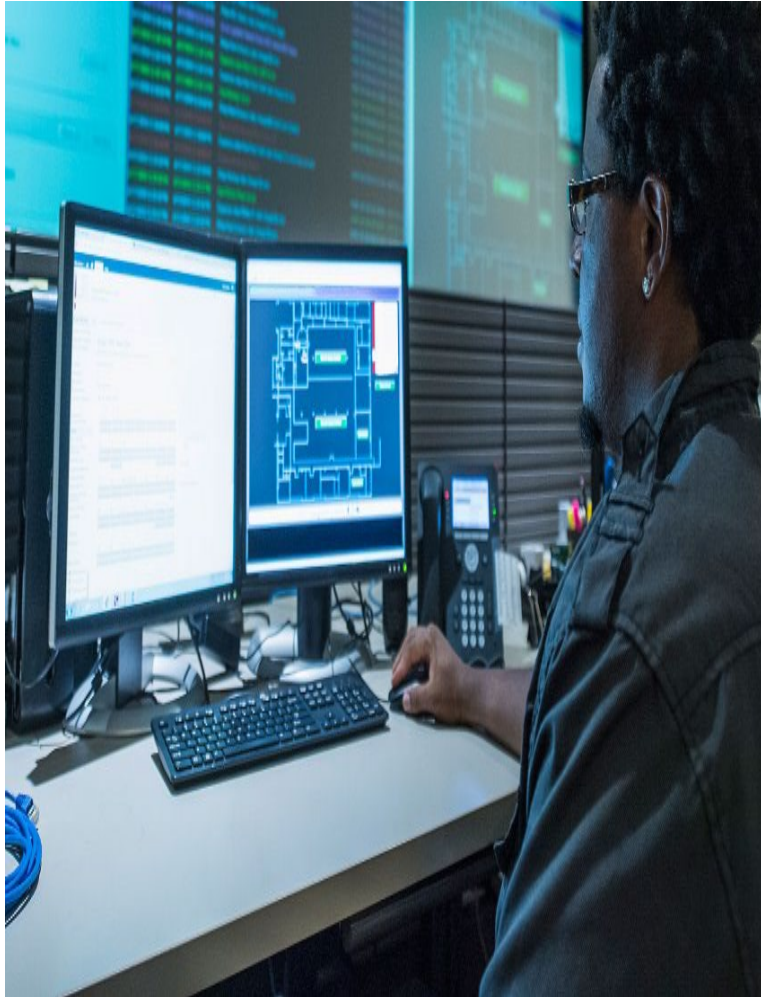


AI's power surge: Transforming data centers and energizing utilities

Utilities and energy providers are adapting to AI's expansion in data centers which requires transforming facility design, energy use and sustainability.

Click on the image to read the report

Innovation and technology



The executive playbook: 7 strategic priorities to protect utilities from cyber threats

Seven priority areas for utility leaders to focus on to improve resilience and better protect the grid.

Click on the image to read the report

Appendix II - Audit Quality Report

March 2025

Maintaining momentum in our pursuit of quality

A March 2025 update to our 2024 Audit Quality Report

Our reputation for quality is vital to our ability to achieve our purpose, to build trust in society and solve important problems. **Quality is – and always will be – our number one priority.**

Change is constant. We know how important it is to manage the uncertainty and complexity by remaining unwavering in our commitment to achieve our purpose and live our values. Quality and integrity are foundational to both.

Since the release of our 2024 Audit Quality Report, we have continued to take actions important to maintaining momentum in our pursuit of quality - helping us stay at the leading edge. We are proud to consistently serve as a leader on quality within the profession. Thank you for continuing to engage with us as we strive to meet our quality objectives.



Paul
Paul Griggs
Senior Partner



Deanna M. Byrne
Deanna Byrne
Assurance Leader

Our people

- We are focused on helping to create new opportunities for entry and offering greater access to the profession for aspiring talent, including through **Destination CPA**.
- We have increased our attention to existing and potential new activities to raise awareness of careers in accounting and auditing, including additional outreach at colleges and universities and new resources to increase student interest in accounting, such as our **Accountants have impACCT** video series.
- We remain focused on providing our skilled audit professionals opportunities for growth and competitive rewards and benefits. We've increased entry-level salaries and continue to support performance-based raises and bonuses at all levels.

Our ways of working

- In FY25, we are emphasizing more in-person time together to reignite personal connections, enhance collaboration, and accelerate learning and development. This includes additional mandatory classroom training and organized in-person opportunities for our audit professionals.
- Our apprenticeship culture, which benefits from these in-person activities, fosters continuous learning and teaching, providing our people with opportunities for growth, regardless of where or how they work. We've provided our people with numerous resources to establish strong team dynamics and prioritize on-the-job learning and teaching. We've also enhanced training for new managers and senior associates, which reinforces the impact of apprenticeship and behaviors that enhance overall audit quality.
- We've invested in comprehensive programs to enable our team members, including those at Acceleration Centers, to collaborate more seamlessly and effectively, while providing more consistent well-being and developmental experiences.

Driving to and staying at the leading edge

The impact of technology

- Our existing methodology and technology, integrated through **Aura**, support a quality, insightful, and efficient audit today. Nonetheless, the growing use of advanced technology, including AI, is changing and accelerating how our teams perform everyday audit tasks. In FY25, our teams expanded the use of GenAI technologies (including ChatPwC, Microsoft Copilot, and ChatNational) in performing audit procedures. We provided our audit teams with updated policies, guidance, training, and other resources addressing, for example, considerations related to appropriate direction, supervision, and review of work performed using GenAI and communications regarding the use of GenAI.
- Our global Next Generation Audit (NGA) program leverages an AI-first technology strategy to equip our auditors with the latest technologies and digital capabilities to meet fast changing needs. As we integrate advanced technologies into our audit procedures, we're not just innovating; we're revolutionizing the audit process to enhance quality and drive exceptional experiences.

Our system of quality management

- We are a learning organization, including as it relates to our system of quality management. We identify opportunities for enhancement through a range of monitoring activities, including inspections.

As with prior years, the results from both internal and external inspections are largely positive, consistent with our culture of quality, commitment to continuous improvement, and the dedication of our people.

- Our 2024 internal inspections program (generally covering 2023 audits) is complete. 199 audit engagements were subject to internal inspection with a 97% rate of compliance.
- The PCAOB's most recent 2024 inspection cycle (generally covering 2023 audits) is also complete, and our 2024 inspection report was recently **published**. In the report, ten of the 64 audits inspected were included in Part I.A.
- The firm recently received a **peer review** rating of pass for the year ended June 30, 2024.
- We continue to invest in our system of quality management, leveraging technology and data to monitor audit quality and making enhancements when necessary to comply with changes in the auditing environment and regulatory landscape.
- We have enhanced our guidance, methodology and training regarding direction, supervision, and review in certain audit areas, as well as our guidance and tools to facilitate communication with audit committees. We've also updated aspects of our independence policies, guidance, and training related to obtaining preapproval of certain services.
- We are on track to implement the PCAOB's new quality control standard, QC 1000, on or before the effective date of December 15, 2025. We have made significant progress in key areas, such as defining the composition, role, and responsibilities of our External Quality Control Function.

Appendix III - Audit report draft



Report of Independent Auditors

To the Electric Power Board of the Metropolitan Government of Nashville and Davidson County Nashville, Tennessee

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities and fiduciary activities of the Electric Power Board of the Metropolitan Government of Nashville and Davidson County (the "Electric Power Board"), a component unit of the Metropolitan Government of Nashville and Davidson County, Tennessee, which consist of the statements of net position and fiduciary net position as of June 30, 2025 and 2024, and the related statements of revenues, expenses and changes in net position, changes in fiduciary net position, and of cash flows for the years then ended, including the related notes, which collectively comprise the Electric Power Board's basic financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the business-type activities and fiduciary activities of the Electric Power Board as of June 30, 2025 and 2024, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (US GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Electric Power Board and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Electric Power Board's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS and *Government Auditing Standards*, will always detect a material misstatement when it exists. 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. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with US GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- 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 Electric Power Board's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Electric Power Board's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 16 and the required supplementary information on pages 69 through 78 be presented to supplement the basic financial statements. Such information is the responsibility of management, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplemental Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Electric Power Board's basic financial statements. The supplementary information on page 1, pages 80 through 100, and page 103 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 25, 2025, on our consideration of the Electric Power Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Electric Power Board's internal control over financial reporting and compliance.

[PwC Signature]

September 25, 2025

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Report of Independent Auditors

To the Electric Power Board of the Metropolitan Government of Nashville and Davidson County Nashville, Tennessee

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities and fiduciary activities of the Electric Power Board of the Metropolitan Government of Nashville and Davidson County (the "Electric Power Board"), a component unit of the Metropolitan Government of Nashville and Davidson County, Tennessee, which consist of the statements of net position and fiduciary net position as of June 30, 2025 and 2024, and the related statements of revenues, expenses and changes in net position, changes in fiduciary net position, and of cash flows for the years then ended, including the related notes, which collectively comprise the Electric Power Board's basic financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the business-type activities and fiduciary activities of the Electric Power Board as of June 30, 2025 and 2024, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (US GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Electric Power Board and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Electric Power Board's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS and *Government Auditing Standards*, will always detect a material misstatement when it exists. 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. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with US GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- 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 Electric Power Board's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Electric Power Board's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 16 and the required supplementary information on pages 69 through 78 be presented to supplement the basic financial statements. Such information is the responsibility of management, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the Schedule of Executive Management and Board Members, but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

[PwC Signature]

September 25, 2025

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Report of Independent Auditors on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Electric Power Board of the Metropolitan Government of Nashville and Davidson County Nashville, Tennessee

We have audited, in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the business-type activities and fiduciary activities of the Electric Power Board of the Metropolitan Government of Nashville and Davidson County (the "Electric Power Board"), a component unit of the Metropolitan Government of Nashville and Davidson County, Tennessee, which comprise the statement of net position and fiduciary net position as of June 30, 2025, and the related statements of revenues, expenses, and changes in net position, changes in fiduciary net position, and of cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 25, 2025.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Electric Power Board's internal control over financial reporting ("internal control") as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Electric Power Board's internal control. Accordingly, we do not express an opinion on the effectiveness of the Electric Power Board's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Electric Power Board's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in

considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

[PwC Signature]

September 25, 2025

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Appendix IV - Management representation letter draft



September 25, 2025

PricewaterhouseCoopers LLP
21 Platform Way S., Suite 1900,
Nashville, TN 37203

We are providing this letter in connection with your audits of the financial statements of the Electric Power Board of the Metropolitan Government of Nashville and Davidson County (“Nashville Electric Service” or the “Company”) as of June 30, 2025 and 2024 and for the years then ended for the purpose of expressing an opinion as to whether such financial statements present fairly, in all material respects, the Statement of Net Position and Fiduciary Net Position, related Statements of Revenues, Expenses, and Changes in Net Position, Changes in Fiduciary Net Position and the Statement of Cash Flows of Electric Power Board of the Metropolitan Government of Nashville and Davidson County in conformity with accounting principles generally accepted in the United States of America. We acknowledge and confirm that we have fulfilled our responsibility, as set out in our engagement letter of March 27, 2025, for the preparation and fair presentation in the financial statements of financial position, results of operations, and of cash flows in conformity with generally accepted accounting principles, including the appropriate selection and application of accounting policies.

Certain representations in this letter are described as being limited to those matters that are material. Materiality is entity specific. The omission or misstatement of an item in a financial report is material, regardless of size, if in light of surrounding circumstances, the magnitude of the item is such that it is probable that the judgment of a reasonable person relying upon the report would have been changed or influenced by the inclusion or correction of the item. Materiality used for purposes of these representations is \$4.6 million.

We confirm, to the best of our knowledge and belief, as of September 25, 2025, the date of your report, the following representations made to you during your audit(s):

1. The financial statements referred to above are fairly presented in conformity with accounting principles generally accepted in the United States of America (GAAP), and include all disclosures necessary for such fair presentation and disclosures otherwise required to be included therein by the laws and regulations to which the Company is subject. We have prepared the Company's financial statements on the basis that the Company is able to continue as a going concern. There are no conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern within one year after the date the financial statements are issued.
2. We have made available to you:
 - a. All financial records and related data, including the names of all related parties and all relationships and transactions with related parties.
 - b. Unconditional access to persons within the entity from whom you have requested audit evidence.

- c. All minutes of the meetings of stockholders, directors, and audit or other committees of directors and summaries of actions of recent meetings for which minutes have not yet been prepared. The most recent meetings held were:
- (1) Electric Power Board of the Metropolitan Government of Nashville and Davidson County – July 23, 2025
 - (2) Audit and Ethics Committee – June 25, 2025
 - (3) Civil Service Board – July 23, 2025
 - (4) Investment Committee – August 11, 2025
3. We have appropriately reconciled our books and records (e.g., general ledger accounts) underlying the financial statements to their related supporting information (e.g., sub ledger or third-party data). All related reconciling items considered to be material were identified and included on the reconciliations and were appropriately adjusted in the financial statements, as necessary. There were no material unreconciled differences or material general ledger suspense account items that should have been adjusted or reclassified to another account balance. There were no material general ledger suspense account items written off to a balance sheet account, which should have been written off to an income statement account and vice versa. All intra-entity accounts have been eliminated or appropriately measured and considered for disclosure in the financial statements.
4. There have been no communications from regulatory agencies concerning noncompliance with or deficiencies in financial reporting practices.
5. There are no material transactions, agreements or accounts that have not been properly recorded in the accounting records underlying the financial statements.
6. We acknowledge and confirm that we have fulfilled our responsibility, as set out in our engagement letter of March 27, 2025, for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error and we have disclosed to you all deficiencies in the design or operation of internal control over financial reporting of which we are aware. We have also disclosed to you which of these deficiencies we believe are significant deficiencies or material weaknesses in internal control over financial reporting.
7. We acknowledge our responsibility for the design, implementation, and maintenance of programs and controls to provide reasonable assurance that fraud is prevented and detected.
8. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud and we have no knowledge of any fraud or suspected fraud affecting the Company involving:
- a. Management,
 - b. Employees who have significant roles in internal control over financial reporting, or
 - c. Others where the fraud could have a material effect on the financial statements.
9. We have no knowledge of any allegations of fraud or suspected fraud affecting the Company received in communications from employees, former employees, analysts, regulators, short sellers, or others.

(As to items 7, 8, and 9, we understand the term "fraud" to mean those matters described in AICPA AU-C 240.)

10. There have been no violations or possible violations of laws or regulations whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency.

11. The Company has no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.
12. We have disclosed to you the identity of all the Company's related parties and all the related party relationships and transactions of which we are aware.
13. There are no side agreements or other arrangements (either written or oral) that have not been disclosed to you.
14. The following, if material, have been properly recorded or disclosed in the financial statements:
 - a. Relationships and transactions with related parties, as described in Accounting Standards Codification (ASC) 850, *Related Party Disclosures*, including sales, purchases, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties.
 - b. Guarantees, whether written or oral, under which the Company is contingently liable.
 - c. Significant estimates and material concentrations known to management that are required to be disclosed in accordance with ASC 275, *Risks and Uncertainties*. (Significant estimates are estimates at the balance sheet date that could change materially within the next year. Concentrations refer to volumes of business, revenues, available sources of supply, or markets or geographic areas for which events could occur that would significantly disrupt normal finances within the next year.)
15. The Company has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral, except as disclosed in the financial statements.
16. The Company has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
17. Receivables classified as current do not include any material amounts which are collectible after one year. All receivables have been appropriately reduced by discounts, incentives, chargeoffs and the allowance for doubtful accounts.
18. Materials and Supplies inventories recorded in the financial statements are stated at the lower of cost or market, cost being determined on the basis of weighted average, and due provision was made to reduce all slow-moving, obsolete, or unusable inventories to their estimated useful or scrap values. Inventory quantities at the balance sheet dates were determined from physical counts or from perpetual inventory records, which have been adjusted on the basis of physical inventories taken by competent employees at various times during the year.
19. All liabilities of the Company of which we are aware are included in the financial statements at the balance sheet dates. There are no other liabilities or gain or loss contingencies that are required to be recognized or disclosed by ASC 450, *Contingencies*, and no unasserted claims or assessments that our legal counsel has advised us are probable of assertion and required to be disclosed in accordance with that Topic.
20. We are responsible for all significant estimates and judgments affecting the financial statements. The methods, underlying data, and significant assumptions used in developing accounting estimates and the related disclosures are reasonable and appropriate to achieve recognition, measurement, or disclosure in the financial statements in accordance with accounting principles generally accepted in the United States of America. The methods used in developing accounting estimates have been consistently applied in the periods presented and the data used in developing accounting estimates is accurate and complete. Accounting estimates and judgments appropriately

reflect management's intent and ability to carry out specific courses of action, where relevant. There have been no subsequent events that would require the adjustment of any significant estimates and related disclosures.

21. We acknowledge and confirm that we understand your responsibility, as set out in our engagement letter of March 27, 2025, to obtain an understanding of the design and implementation of the Company's internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error. We also acknowledge that you have not tested the operating effectiveness of our internal control over financial reporting as part of your audit of the financial statements.
22. We will provide you with the final version of the document(s) listed in Attachment to this letter, which comprise the annual report (as defined by AU-C Section 720) when available. Attachment also lists the annual report documents that we have not yet provided and the planned manner and timing of issuance of such documents. We acknowledge and confirm our responsibility to provide the final version of the document(s) prior to issuance of the annual report, such that you can complete the procedures required by applicable professional standards.
23. We acknowledge our responsibility for the presentation of the Management's Discussion and Analysis and the schedules included in the "Required Supplementary Information" section of the financial statements in accordance with accounting principles generally accepted in the United States of America. We believe such information, including its form and content, is fairly presented in accordance with accounting principles generally accepted in the United States of America, as required by the Governmental Accounting Standards Board. The methods of measurement or presentation have not changed from those used in the prior period. We have informed you about any significant assumptions or interpretations underlying the measurement or presentation of the information.
24. We acknowledge our responsibility for the presentation of the schedules included in the "Other Supplementary Information" section of the financial statements in accordance with the requirements of the Tennessee Comptroller of the Treasury. We believe such information, including its form and content, is fairly presented in accordance with the requirements of the Tennessee Comptroller of the Treasury. The methods of measurement or presentation have not changed from those used in the prior period. We have informed you about any significant assumptions or interpretations underlying the measurement or presentation of the information.
25. All cash and deposit accounts and all other properties and assets of the Company are included in the financial statements. Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances, line of credit, and collateral posted, or similar arrangements have been properly disclosed in the financial statements.
26. We consistently applied our policy regarding classification of cash and cash equivalents, which are short-term, highly liquid investments that are readily convertible to known amounts of cash and are so near their maturity that there is insignificant risk of changes in value due to interest rate or other credit risk changes.
27. We reviewed our long-lived assets for associated asset retirement obligations (AROs), and we have determined that we have no material ARO liabilities to recognize in accordance with GASB 49 *Accounting and Financial Reporting for Pollution Remediation Obligations*.
28. We have performed evaluation, recording and disclosure of all contractual arrangements within the scope of GASB 87, Leases

29. We have performed evaluation, recording and disclosure of all contractual arrangements within the scope of GASB 96, Subscription-Based Information Technology Arrangements.
30. All borrowings and financial obligations of the Company have been disclosed to you and are properly recorded and disclosed in the financial statements.
31. We have reviewed all of our debt agreements and determined that we have not violated any covenants of our debt agreements during any of the periods presented, and we disclosed to you all covenants and information related to how we determined compliance with the covenants.
32. The actuarial valuation of pension and postretirement benefit obligations was determined using an acceptable methodology applied on a consistent basis and taking into account the individual characteristics of the plans and reasonable assumptions, including those for the discount rate, rate of return on plan assets, mortality rate and other demographic assumptions.
33. All material regulated costs that have been deferred to future periods are probable of recovery. The Company believes that it currently meets the criteria of GASB Codification RE10 for its operations.
34. We have performed an evaluation and have assessed the annual calculation of the line loss (including company use electricity). The analysis includes line loss data from the prior years, and the analysis has been updated for the current year factors. We have investigated the current year line loss percentage of 2.43% and have concluded that this is reasonable.
35. We assume responsibility for the findings of specialists. We did not give or cause any instructions to be given to specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not aware of any matters that have had an impact on the independence or objectivity of the specialists. We adequately considered qualifications of the specialists in determining the amounts and disclosures used in the financial statements and underlying accounting records related to fair values employee benefit plan obligations and self-insurance reserves.
36. All costs charged to non-student financial assistance cluster major program award(s) are reasonable and necessary, accorded consistent treatment, conform to the limitations and exclusions of the terms and conditions of the award(s), and individual costs are not reimbursed from other funding sources.
37. We are responsible for complying, and have complied, with the requirements of the Uniform Guidance.
38. We are responsible for understanding and complying with the requirements of federal statutes, regulations, and the terms and conditions of federal awards related to each of our federal programs.
39. We are responsible for establishing and maintaining, and have established and maintained, effective internal control over compliance for federal programs that provides reasonable assurance that we are managing federal awards in compliance with federal statutes, regulations, and the terms and conditions of the federal award that could have a material effect on our federal programs.
40. We acknowledge and understand our responsibility for the presentation of the schedule of expenditures of federal awards in accordance with the Uniform Guidance and we believe such information, including its form and content, is fairly presented in accordance with the Uniform Guidance. We have included expenditures made during the period being audited for all awards provided by federal agencies in the form of grants, federal cost-reimbursement contracts, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance. The methods

of measurement or presentation have not changed from those used in the prior period. We have informed you about any significant assumptions or interpretations underlying the measurement or presentation of the schedule of expenditures of federal awards.

41. We have made available all contracts and grant agreements (including amendments, if any) and any other correspondence relevant to federal programs and related activities that have taken place with federal agencies or pass-through entities.

To the best of our knowledge and belief, no events have occurred subsequent to the balance sheet date and through the date of this letter that would require adjustment to or disclosure in the aforementioned financial statements.

Teresa Broyles-Aplin, President and Chief Executive Officer

David Frankenberg, Vice President and Chief Financial Officer

Tabitha Beach, Corporate Controller

Acknowledgement of Plans to Issue Other Information

As set forth in the terms of our engagement letter dated March 27, 2025, we acknowledge and understand our responsibility to provide written acknowledgment of which document or documents comprise Electric Power Board of the Metropolitan Government of Nashville and Davidson County's (the "Company") annual report and the Company's planned manner and timing of issuance of such documents. We also acknowledge and understand our responsibility for the preparation of any other information, whether financial or nonfinancial, accompanying the financial statements and the auditor's report thereon in the Company's annual report ("other information"), in a manner which is (a) materially consistent with information appearing in the financial statements (b) materially factual; and (c) not otherwise misleading. We acknowledge and understand our responsibility to provide you with the final version of the document or documents comprising the annual report in a timely manner, and, if possible, provide the final version of other information prior to the date of your audit report on the financial statements. When some or all of the other information will not be available until after the date of your report on the financial statements, we acknowledge and understand our responsibility to provide a written representation that the final version of the other information will be provided to you when available, and prior to the Company's issuance of other information, such that you can complete any procedures that may be required by auditing standards generally accepted in the United States of America.

The purpose of this Attachment is to provide the written acknowledgment described in the preceding paragraph.

We acknowledge and confirm that, as of the date of this letter, we plan to furnish an annual report in any one of the following configurations:

- 1) A "short form" Annual report consisting of the basic financial statements, Schedule of Executive Management, Management's Discussion & Analysis, and Required supplementary information on pages 69-78 which are required by accounting principle generally accepted in the United States of America, or
- 2) The Annual Full Color report consisting of a short form Annual report accompanied by the "NES at a Glance", President's Report on Operations and President's Letter, or
- 3) A "long form" Annual Report consisting of the short form Annual report plus Other supplementary information pages 80-100 which are required by the General Report Outline portion of the Audit Manual issued by the State of Tennessee Department of Audit;
- 4) A "short form" Annual report consisting of the basic financial statements, Schedule of Executive Management, Management's Discussion & Analysis, and Required supplementary information which are required by accounting principle generally accepted in the United States of America, and a Schedule of Federal Expenditures in each instance containing, accompanying, or incorporating by reference the financial statements and your report thereon.

The following summarizes the planned manner and timing of issuance of the other information comprising the annual report:

- Schedule of Executive Management and Management's Discussion & Analysis - plan to issue in hardcopy simultaneously with the issuance of the financial statements at the conclusion of your audit
- "NES at a Glance", President's Report on Operations and President's Letter – plan to issue in hardcopy simultaneously with the issuance of the Annual color report scheduled to finalize not later than October 25, 2025
- Required supplementary information on pages 69-78 which are required by accounting principle generally accepted in the United States of America - plan to issue in hardcopy simultaneously with the issuance of the financial statements at the conclusion of your audit

- Other Supplementary information pages 80-100 which are required by the General Report Outline portion of the Audit Manual issued by the State of Tennessee Department of Audit - plan to issue in hardcopy simultaneously with the issuance of the financial statements at the conclusion of your audit
- Schedule of Federal expenditures at the conclusion of your audit.

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Glossary

Significant accounting policies and practices

Accounting principles followed by the entity and the methods of applying those principles that materially affect the determination of financial position, cash flows, or results of operations.

Critical accounting policies and practices

A company's accounting policies and practices that are both most important to the portrayal of the company's financial condition and results, and require management's most difficult, subjective, or complex judgments, often as a result of the need to make estimates about the effects of matters that are inherently uncertain.

Particularly sensitive accounting estimates

Key assumptions and other sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities. Also may be referred to as key sources of estimation uncertainty.

Significant unusual transactions

Significant transactions that are outside the normal course of business for the entity or that otherwise appear to be unusual due to their timing, size, or nature.

Identified misstatements

Identified misstatements include those that are uncorrected misstatements related to accounts and disclosures that the auditor presented to management and corrected misstatements, other than those that are clearly trivial, related to accounts and disclosures that might not have been detected except through the auditing procedures performed.

Glossary

Material weakness

A deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

Significant deficiency

A deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness yet important enough to merit attention by those charged with governance.

Control deficiency

Exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis.

- A deficiency in design exists when (a) a control necessary to meet the control objective is missing or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met.
- A deficiency in operation exists when a properly designed control does not operate as designed or when the person performing the control does not possess the necessary authority or qualifications to perform the control effectively.

Experience beyond numbers

Report to the **Audit Committee**

Executive Session

Miscellaneous