

AUDIT AND ETHICS COMMITTEE MEETING MINUTES AUGUST 27, 2025

The Audit and Ethics Committee meeting was held on Wednesday, August 27, 2025.

Committee Members Present: Committee Chair Rob McCabe, Anne Davis, Clifton Harris, Ian Prunty; and, Casey Santos (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 8:44 a.m.

MINUTES

Upon motion by Member Davis and seconded by Member Harris, the Committee approved the minutes from the Audit and Ethics Committee meeting held June 25, 2025, with five ayes and zero nays.

BAKER TILLY INTERNAL AUDIT REPORTS

Scott Nalley and Patrick Clark, on behalf of Baker Tilly, presented the Internal Audit Reports for the FY25 Power System Operations and FY25 Timekeeping and Payroll, thereby concluding the FY25 audit plan. Mr. Nalley confirmed that all projects are proceeding on schedule and are adequately resourced.

The FY25 Power System Operation audit was completed focusing on IT and cyber controls with one low-priority issue found. The FY25 Timekeeping and Payroll audit noted two medium-risk, and one low-risk finding were identified and addressed.

Chair McCabe inquired about the effectiveness of the user access validation methodology. Mr. Nalley highlighted NES's significant improvements in access management over the last decade. He attributed the recent challenges to issues within the PeopleSoft system.

Chair McCabe asked whether there is a process to utilize a transactional log and record user access. Mr. Nalley confirmed the extensive logging features within PeopleSoft, HCM, and other systems were critical in uncovering the identified issues.

Chair McCabe invited Dr. Trish Holliday to share her thoughts on the matter. Dr. Holliday stated that she is appreciative of the work that went into the audit findings and said she is confident that the issues are being addressed.

Mr. Nalley expressed his appreciation for Dr. Holliday and lauded her team for their diligent efforts and their commitment to continuous improvement.

Following the audit results, Teresa Broyles-Aplin stated that she held a meeting with Dr. Holliday and was assured that her team is fully engaged in resolving the identified deficiencies. Ms. Broyles-Aplin stated that she also met with CIO Ron Womble and discussed the plan to phase out the

PeopleSoft system which is no longer needed after the successful Ellipse upgrade under the Encompass project.

Member Santos raised a question regarding the post-PeopleSoft plans for the monitoring and automation of user access permissions. Dr. Holliday acknowledged the concern and reiterated her team's commitment to create an improved process for managing user access.

PRICEWATERHOUSECOOPERS REPORT TO THE AUDIT AND ETHICS COMMITTEE OF THE BOARD OF DIRECTORS – FISCAL YEAR 2025 AUDIT RESULTS

Rich Call, along with Katie Estep, presented the FY2025 Audit Results. Ms. Estep stated that there were no significant changes to the audit plan presented on January 22, 2025, and final materiality thresholds have remained consistent with PwC's preliminary planning thresholds. No critical accounting estimates were noted.

Ms. Estep reported that the audit is nearing completion, with PwC anticipating the issuance of an unqualified opinion in September 2025. She noted that a draft of that opinion was included in the board materials as Appendix III. She reviewed the outstanding items requiring finalization by PwC as well as the results pertaining to independence and other required communications.

Mr. Call commented that it was a great audit and emphasized the importance of the C2M implementation and Ellipse upgrade discussions. He said there was time spent on updating PwC's understanding of the implications of the system implementations to the control process as well as evaluating the impact to audit procedures. He said PwC found that NES Management had a very regimented process which is well controlled.

Member McCabe asked Mr. Call if he thinks the PwC team has the necessary skills to perform the recent audit. Mr. Call responded yes. He added that the PwC leadership team has a great relationship with the NES management team.

MISCELLANEOUS

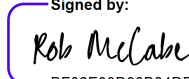
There were no miscellaneous items to present.

ADJOURNMENT

The meeting adjourned at 9:02 a.m.

EXECUTIVE SESSION

The Committee entered into Executive Session and concluded at 9:23.

APPROVED: 
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Committee Chair Rob McCabe