

AUDIT AND ETHICS COMMITTEE MEETING MINUTES MARCH 25, 2026

The Audit and Ethics Committee meeting was held on Wednesday, March 25, 2026.

Committee Members Present: Clifton Harris, Ian Prunty, Anne Davis, Rob McCabe, 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 9:10 a.m.

MINUTES

Upon motion by Member Harris and seconded by Chair Davis, the Committee approved the minutes from the Audit and Ethics Committee meeting held November 20, 2025, with five ayes and zero nays.

CONTROLS AND COMPLIANCE INTEGRITY LINE UPDATE

Sandra Chapman reported that the Controls and Compliance Office received two Integrity Line reports from the independent reporting service. She confirmed that both matters were investigated, appropriate actions were taken, and the cases have since been closed.

BAKER TILLY INTERNAL AUDIT REPORT

Scott Nalley provided an Internal Audit overview which included the FY26 Internal Audit Status Report. He noted that there are several projects in progress and nearing completion.

Mr. Nalley explained that Winter Storm Fern heightened NES's risk environment, which required a new risk assessment and led to a proposed update to the Internal Audit Plan to add a storm expenditure audit. He reviewed the scope of the audit and requested approval of revisions to the FY26 Audit Plan.

Upon motion by Member Harris and seconded by Member Davis, the Committee approved the proposed modification to the Internal Audit Plan with five ayes and zero nays.

Mr. Nalley reviewed two audit reports which included Environmental Safety and Transmission & Distribution Operations and discussed the findings from each.

He reported that for Q1 FY26 four audit observations were reviewed and were determined to be remediated.

RECOMMENDATION FOR APPROVAL OF THE SELECTION OF BAKER TILLY TO PROVIDE OUTSOURCED INTERNAL AUDIT SERVICES AND CONSULTING SERVICES

David Frankenberg reported that Baker Tilly has been providing internal audit services for NES since 2014. In 2021, the Board approved the most recent contract effective June 1, 2021, for five years. The 5-year term is set to expire May 31, 2026. Mr. Frankenberg stated that in addition to internal audit services, management requests that Baker Tilly perform consulting initiatives.

Chair McCabe asked Teresa Broyles-Aplin if she had any comments. She expressed that the Internal Audit team has contributed meaningful value to NES and that their findings have been helpful in strengthening and improving the organization.

Management recommended a new 5-year contract with Baker Tilly effective June 1, 2026, with a not-to-exceed amount of \$7,000,000.

Upon motion by Member Davis and seconded by Chair McCabe, the Committee approved the selection of Baker Tilly to provide outsourced Internal Audit services with five ayes and zero nays.

MISCELLANEOUS

There were no miscellaneous items to present.

EXECUTIVE SESSION

There was an Executive Session held that began at 9:20 a.m.

ADJOURNMENT

The meeting adjourned at 9:31 a.m.

APPROVED:  Signed by:
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Committee Chair Rob McCabe