

Electric Power Research Institute, Inc.

Consolidated Financial Statements as of and
for the Years Ended December 31, 2023 and 2022,
Schedule of Expenditures of Federal Awards and
Uniform Guidance Compliance Reports
for the Year Ended December 31, 2023, and
Independent Auditor's Reports

ELECTRIC POWER RESEARCH INSTITUTE, INC.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Electric Power Research Institute, Inc.
Palo Alto, California

Opinion

We have audited the consolidated financial statements of Electric Power Research Institute, Inc. (the "Institute" or EPRI), which comprise the consolidated statement of financial position as of December 31, 2023 and 2022, and the related consolidated statements of activities and changes in net assets and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Institute as of December 31, 2023 and 2022 and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Institute 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 opinion.

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 Institute's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 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 Institute'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 Institute'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.

Report on Schedule of Expenditures of Federal Awards required by the Uniform Guidance

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally

accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 17, 2024, on our consideration of the Institute's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of the report is 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 Institute's 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 Institute's internal control over financial reporting and compliance.

Deloitte + Touche LLP

April 17, 2024

ELECTRIC POWER RESEARCH INSTITUTE, INC.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS OF DECEMBER 31, 2023 AND 2022 (Dollars in thousands)

	2023	2022
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 49,643	\$ 98,787
Investments	74,739	112,232
Receivables—members	17,653	18,553
Receivables—supplemental funding	45,348	46,819
Receivables—other	1,015	245
Other current assets	<u>15,792</u>	<u>9,329</u>
Total current assets	204,190	285,965
LONG-TERM INVESTMENTS	148,794	114,694
RIGHT OF USE ASSET	18,162	26,188
OTHER LONG-TERM ASSETS	983	1,118
PROPERTY, FACILITIES, BUILDING IMPROVEMENTS, AND EQUIPMENT—Net	<u>65,475</u>	<u>49,000</u>
TOTAL	<u>\$ 437,604</u>	<u>\$ 476,965</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	\$ 34,234	\$ 36,276
Deferred revenue	165,435	183,430
Operating lease obligations	4,234	4,957
Deferred gain on asset disposal	1,097	1,097
Accrued liabilities	<u>48,260</u>	<u>44,222</u>
Total current liabilities	\$ 253,260	269,982
OTHER LONG-TERM LIABILITIES	3,122	2,525
ACCUMULATED POSTRETIREMENT BENEFIT OBLIGATION	4,852	5,290
LONG-TERM OPERATING LEASE OBLIGATIONS	15,526	22,956
LONG-TERM DEFERRED GAIN ON ASSET DISPOSAL	3,290	4,386
LONG-TERM DEFERRED SUPPLEMENTAL REVENUE	<u>17</u>	<u>242</u>
Total liabilities	<u>\$ 280,067</u>	<u>\$ 305,381</u>
COMMITMENTS AND CONTINGENCIES (Note 7)		
TOTAL NET ASSETS WITHOUT DONOR RESTRICTIONS	<u>\$ 157,537</u>	<u>\$ 171,584</u>
TOTAL	<u>\$ 437,604</u>	<u>\$ 476,965</u>

See notes to consolidated financial statements.

ELECTRIC POWER RESEARCH INSTITUTE, INC.**CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(Dollars in thousands)**

	2023	2022
CHANGES IN NET ASSETS:		
Revenues:		
Membership	\$ 237,077	\$ 229,044
Supplemental	228,007	211,112
Other	<u>1,563</u>	<u>1,212</u>
Total revenues	<u>466,646</u>	<u>441,368</u>
Expenses:		
Electrification and sustainable energy	46,557	42,326
Generation	81,869	81,622
Nuclear	182,527	172,827
Integrated grid and energy systems	62,359	57,189
Transmission and distribution infrastructure	59,564	54,446
Low carbon resources initiative	20,627	22,627
Climate READi	8,532	2,003
Technology innovation activities	<u>33,618</u>	<u>27,903</u>
Total expenses	<u>495,653</u>	<u>460,943</u>
OTHER INCOME:		
Investment income-net	13,863	227
Gain on asset disposals—net	<u>1,097</u>	<u>1,086</u>
Total other income	<u>14,960</u>	<u>1,313</u>
DECREASE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	(14,047)	(18,262)
NET ASSETS WITHOUT DONOR RESTRICTIONS—Beginning of year	<u>171,584</u>	<u>189,846</u>
NET ASSETS WITHOUT DONOR RESTRICTIONS—End of year	<u>\$ 157,537</u>	<u>\$ 171,584</u>

See notes to consolidated financial statements.

ELECTRIC POWER RESEARCH INSTITUTE, INC.**CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(Dollars in thousands)**

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES:		
(Decrease) in net assets	\$ (14,047)	\$ (18,262)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	9,984	10,505
(Gain) on asset disposals-net	(1,097)	(1,086)
Non-cash operating lease expense	4,394	4,916
Realized and unrealized (gain) loss on investments	(3,119)	3,754
Allowance for doubtful accounts	(351)	435
Changes in assets and liabilities:		
Receivables—members	900	(9,674)
Receivables—supplemental funding	1,822	1,988
Receivables—other	(770)	(36)
Other current assets	(7,108)	571
Other long-term assets	135	(86)
Accounts payable	(3,613)	1,017
Current and long-term deferred revenue	(18,220)	8,710
Accrued liabilities	4,038	642
Operating lease expense	(4,521)	(4,798)
Other long-term liabilities	(438)	(996)
Accumulated postretirement benefit obligation	597	(1,398)
Net cash used in operating activities	<u>(31,414)</u>	<u>(3,798)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(24,887)	(9,256)
Purchases of investments	(726,117)	(761,872)
Proceeds from sale and maturity of investments	<u>733,274</u>	<u>776,837</u>
Net cash (used in) provided by investing activities	<u>(17,730)</u>	<u>5,709</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(49,144)	1,911
CASH AND CASH EQUIVALENTS—Beginning of year	<u>98,787</u>	<u>96,876</u>
CASH AND CASH EQUIVALENTS—End of year	<u>\$ 49,643</u>	<u>\$ 98,787</u>
SUPPLEMENTAL DISCLOSURE OF NONCASH ACTIVITIES:		
Capital expenditures in accounts payable	<u>\$ 1,680</u>	<u>\$ 1,213</u>

See notes to consolidated financial statements.

ELECTRIC POWER RESEARCH INSTITUTE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

1. DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization—The Electric Power Research Institute, Inc.'s (the "Institute" or EPRI) mission is to conduct research and development through science and technology for the benefit of society. To accomplish this objective, EPRI develops and manages research and development programs for improving energy generation, delivery, and usage. Program service expenses are direct charges to the research programs.

EPRI has been determined to be exempt from federal taxes as a scientific organization under Section 501(c)(3) of the Internal Revenue Code (the "Code"). Hence, only unrelated business income, as defined in the Code, is subject to federal income taxes. In 2023, as in prior years, EPRI anticipates no significant taxable income.

The financial statements are consolidated to include the accounts of EPRI and its wholly owned subsidiaries. All intercompany accounts have been eliminated. The EPRI subsidiary is EPRI International, Inc. EPRI International, Inc. includes its subsidiary, EPRI Europe DAC.

Summary of Significant Accounting Policies

Basis of Presentation—EPRI's consolidated financial statements are prepared on the basis of accounting principles generally accepted in the United States of America (U.S. GAAP).

Cash and Cash Equivalents—EPRI generally considers all highly liquid investment instruments with an initial or remaining maturity of three months or less at the time of purchase to be cash equivalents.

Investments—Investments are carried at fair value. Investments are classified as short-term or long-term based on the maturity date of the investments. Investment income and realized and unrealized gains or losses on investments net of investment related expenses are reflected in the consolidated statements of activities and changes in net assets as Investment income-net.

Property, Facilities, Building Improvements, and Equipment—Buildings and improvements are depreciated over various lives, ranging from ten to thirty years, using the straight-line method. Equipment is depreciated using the straight-line method over a period of five years. Leasehold improvements are amortized using the straight-line method over the shorter of the terms of the respective leases or their economic lives. Equipment that is highly specialized and offers no alternative future use to EPRI or its contractors is expensed as incurred. Costs associated with individual research and development projects conducted at the facilities are charged to expense as incurred. Any gain or loss from the sale or other disposition of property, facilities, and equipment is recorded in other income.

Other Current Assets—Other assets consist primarily of prepaid expenses and miscellaneous receivables.

Membership Revenue—Revenue from memberships is recognized on a straight-line basis over the annual membership period. Payments are received on an annual or quarterly basis.

As a result of the adoption of Accounting Standards Codification (ASC) 606, *Revenue from Contracts with Customers*, revenue from membership is recognized as an exchange transaction and includes two performance obligations, including fixed-price annual membership revenue which is recognized over time and credits available for the purchase of research materials (e.g., Existing Product Credits (EPC)) which are only available to members with multiple year membership contracts. The performance obligation related to EPC is recognized at a point in time when the incentive is used and the performance obligation complete. The unused, unexpired EPCs are assigned a value and revenue is deferred as of December 31 each year until the unused, unexpired EPCs expire. Deferred membership revenue included EPCs of \$0 in 2023 and \$92,500 in 2022.

Supplemental Revenue— Supplemental revenue is composed of supplemental funding and other contract services and cost-reimbursable federal and state contracts and grants. Payment is received (1) in advance of costs being incurred and is recorded as deferred revenue or (2) after expenses are incurred.

Supplemental funding and other contract services include one performance obligation related to the execution of the project identified in the contract and are recognized over time when costs are incurred up to the amount of funding agreements. Revenue derived from cost-reimbursable federal and state contracts and grants are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Institute has incurred expenditures in compliance with specific contract or grant provisions. Revenues for cost-reimbursable federal and state contracts and grants, which are revenues other than revenues recognized from contracts with customers, for the year ended December 31, 2023 was \$27,464,000 and for the year ended December 31, 2022 was \$22,900,000.

Supplemental revenue included \$2,206,000 in 2023 and \$4,117,000 in 2022 of contractual revenue where funding had not yet been received, but related costs had been incurred on co-funding projects that are funded through agreements other than membership.

Other Revenue—Other revenue includes royalty revenue and revenue from sales of EPRI reports. Royalty revenue and revenue from sales of EPRI reports is recognized at the point of sale.

EPRI collaborates with the electricity sector and members include electric utility companies in the United States and more than 38 other countries. While most members are electric utilities, others are businesses, government agencies, regulators and public or private entities engaged in some aspect of the generation, delivery, or use of electricity.

Receivables—EPRI maintains reserves for doubtful accounts and other collection issues for membership and supplemental funding on the basis of historical experience and an analysis of specific accounts. Such reserves amounted to \$200,000 as of December 31, 2023 and \$634,700 as of December 31, 2022.

Use of Estimates—The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

Adoption of New Accounting Standards—In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments – Credit Losses (Topic 326)*, which provides a model, known as the current expected credit loss model, to estimate the expected lifetime credit loss on financial assets, including trade and other receivables, rather than incurred losses over the remaining life of most financial assets measured at amortized cost. The guidance also requires use of an allowance to record estimated credit losses on available-for-sale debt securities. The amendment is effective for fiscal years beginning after December 15, 2022. The adoption of this guidance did not have a material impact on EPRI’s Statement of Activities and Statement of Cash Flows.

2. CASH AND CASH EQUIVALENTS AND INVESTMENTS

The aggregate carrying amounts of cash and cash equivalents and investments as of December 31, 2023 and 2022, are as follows (dollars in thousands):

	2023	2022
Cash	\$ 28,980	\$ 35,259
Cash equivalents	<u>20,663</u>	<u>63,528</u>
Cash and cash equivalents	<u>49,643</u>	<u>98,787</u>
Short-term investments:		
Fixed-income securities	<u>74,739</u>	<u>112,232</u>
Total short-term investments	<u>74,739</u>	<u>112,232</u>
Long-term investments:		
Fixed-income securities	148,790	114,690
Equity securities	<u>4</u>	<u>4</u>
Total long-term investments	<u>148,794</u>	<u>114,694</u>
Total	<u>\$273,176</u>	<u>\$325,713</u>

EPRI’s financial assets available within one year of the balance sheet date for general expenditure are as follows (dollars in thousands).

Cash and cash equivalents	\$ 49,643
Receivables	63,381
Short-term investments	<u>74,739</u>
	<u>\$ 187,763</u>

As part of EPRI’s liquidity management, it has a policy to maintain its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, EPRI invests cash in excess of daily requirements in short-term and long-term investments. The portfolio is structured so that the Institute’s near-term anticipated operating needs are met without having to liquidate securities before maturity.

Fair Value Hierarchy—EPRI follows the guidance offered by Accounting Standards Codification ASC 820-10, *Fair Value Measurement*, to estimate the fair value of its

investments. ASC 820-10 establishes a fair value hierarchy that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

Level 1—Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. An active market for the asset or liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis. A quoted price in an active market provides the most reliable evidence of fair value and shall be used to measure fair value whenever available.

Level 2—Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3—Inputs are unobservable inputs for the assets or liabilities. Unobservable inputs shall be used to measure fair value to the extent that the observable inputs are not available. Unobservable inputs shall be developed based on the best information available in the circumstances, which might include the reporting entity's own data.

The valuation of the Institute's investments per ASC 820-10 fair value hierarchy levels as of December 31, 2023 and 2022, are summarized as follows (dollars in thousands):

	Fair Value at Reporting Date Using				Total
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Net Asset Value	
2023					
Cash equivalents	\$ -	\$ 19,638	\$ -	\$ 1,025	\$ 20,663
Fixed-income securities:					
Corporate debt securities	-	132,256	-	-	132,256
Commercial paper	-	15,719	-	-	15,719
Foreign debt securities	-	40,115	-	-	40,115
U.S. government debt securities	-	35,439	-	-	35,439
Total fixed-income securities	-	223,529	-	-	223,529
Equity securities	4	-	-	-	4
Total	\$ 4	\$ 243,167	\$ -	\$ 1,025	\$ 244,196

	Fair Value at Reporting Date Using				Total
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Net Asset Value	
2022					
Cash equivalents	\$ -	\$ 60,723	\$ -	\$ 2,805	\$ 63,528
Fixed-income securities:					
Corporate debt securities	-	120,759	-	-	120,759
Certificates of deposit	-	5,891	-	-	5,891
Foreign debt securities	-	62,464	-	-	62,464
U.S. government debt securities	-	37,808	-	-	37,808
Total fixed-income securities	-	226,922	-	-	226,922
Equity securities	4	-	-	-	4
Total	\$ 4	\$ 287,645	\$ -	\$ 2,805	\$ 290,454

Cash Equivalents—Cash equivalents generally includes commercial paper securities with original maturities of three months or less, U.S. Treasury bills and money market funds. Money market funds are valued at net asset value. These funds seek to provide current income and daily liquidity while maintaining a stable share price of \$1. These funds invest primarily in U.S. Treasuries, government agency debentures, and government

collateralized repurchase agreements. The net asset value approximates the fair value of the underlying securities.

Commercial Paper – Commercial paper consists of domestic and foreign commercial paper securities with original maturities greater than three months.

Corporate and Foreign Debt Securities—Corporate debt securities consist of domestic corporate bonds. Foreign debt securities consist of foreign corporate bonds. All corporate and foreign debt securities are listed on major public exchanges; however, the majority of trading volume is through dealer-based, over-the-counter markets.

Certificates of Deposit—Certificates of deposits bear a maturity date and a fixed interest rate. They are generally issued by commercial banks and are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per issuing institution.

U.S. Government Debt Securities—U.S. government debt securities (principally U.S. Treasury notes) and municipal debt securities (local government securities) are traded primarily through dealer-based, over-the-counter markets.

Equity Securities—Equity securities represent common stock in a corporation.

3. PROPERTY, FACILITIES, BUILDING IMPROVEMENTS, AND EQUIPMENT

Property, facilities, building improvements, and equipment as of December 31, 2023 and 2022, were as follows (dollars in thousands):

	2023	2022
Building and leasehold improvements	\$ 73,185	\$ 59,450
Equipment and projects in process	62,782	53,503
Software and computer equipment	<u>41,766</u>	<u>38,803</u>
 Total properties, facilities, building improvements, and equipment	 177,733	 151,756
 Less accumulated depreciation and amortization	 <u>(112,258)</u>	 <u>(102,756)</u>
 Property, facilities, building improvements, and equipment—net	 <u>\$ 65,475</u>	 <u>\$ 49,000</u>

In September 2019, EPRI sold its leasehold interest and four buildings in Palo Alto, California and leased back a portion of the space. A portion of the net gain on the sale was deferred and will be amortized over the related lease periods. The deferred gain on the sale for the years ended December 31, 2023 and 2022, was \$4,386,000 and \$5,483,000 respectively. Other income includes the income recognized on the gain on the sale for the years ended December 31, 2023 and 2022, was \$1,097,000 and \$1,097,000 respectively.

The depreciation and amortization expense for the years ended December 31, 2023 and 2022, was \$9,984,000 and \$10,505,000, respectively.

4. ACCRUED LIABILITIES

Accrued liabilities as of December 31, 2023 and 2022, were as follows (dollars in thousands):

	2023	2022
Accrued compensation	\$41,854	\$38,573
Other	<u>6,406</u>	<u>5,649</u>
Total accrued liabilities	<u>\$48,260</u>	<u>\$44,222</u>

5. NET ASSETS WITHOUT DONOR RESTRICTIONS

EPRI's net assets as of December 31, 2023 and 2022, and all activities for the years then ended were unrestricted. Net assets without donor restrictions may be designated for specific purposes by action of the board of directors. As of December 31, 2023, and 2022 no net assets were so designated by the board of directors.

6. BENEFIT PLANS

EPRI has a defined contribution pension plan for its employees. EPRI contributes a fixed percentage of eligible wages to the employee's 401(k) account. An employee contribution is not required for participation in these benefits. It is EPRI's policy to fund pension costs as earned by employees. Total expenses include pension expense in the amount of \$20,074,000 for 2023 and \$18,029,000 for 2022.

EPRI provides an unfunded postretirement health care benefit plan to employees meeting certain requirements. Prior to January 1, 2007, all employees who retired on or after age 55 with a minimum of five years of service and whose aggregate years of service, plus age totaled 70 years or more were covered by the plan. Effective January 1, 2007, employees are eligible only if the sum of their age plus years of service equaled or exceeded 50 years as of December 31, 2006 and, if upon their retirement from EPRI, they have completed a minimum of five years of service, are at least age 55, and their aggregate age plus years of service totaled 70 years or more. Spouses of eligible participants are also covered. No employee hired or rehired on or after January 1, 2007, is eligible for the benefit. In 2013, the plan was amended to require eligible participants to retire prior to July 1, 2014, in order to receive the benefit. Any participants who did not retire as of July 1, 2014, are no longer eligible for the benefit. Each nonofficer participant and spouse receives up to \$75 monthly for medical insurance premium reimbursement. Officers who attained officer status before January 1, 2007, are required to pay 20% of the actual premium cost of the medical plan of their choice. EPRI pays the remaining 80% of the premium cost.

The 2023 expense was determined using the discount rate of 4.79%. The 2022 expense was determined using the discount rate of 2.27%.

For officers, health care cost trends used in determining the accumulated postretirement benefit obligation and costs are assumed to increase by 7.5% for 2024 and then remain at approximately 5.5% to 6.8% increases per year through 2028. For 2023, health care costs were assumed to increase by 7.4% and then remain at approximately 5.5% to 6.8% increases per year through 2027.

The discount rate used in determining the accumulated postretirement benefit obligation was 4.61% in 2023 and 4.79% in 2022. EPRI recognizes a net liability based on the funded status of its other postretirement benefit plan in its statements of financial position. The benefit obligation is measured by year as follows (dollars in thousands).

	2023	2022
Change in benefit obligation:		
Benefit obligation at end of prior year	\$ 6,036	\$ 7,438
Service cost	0	1
Interest cost	271	160
Actuarial (gain)	(322)	(1,069)
Benefits paid	<u>(460)</u>	<u>(494)</u>
Benefits obligation at end of year	5,526	6,036
Change in plan assets:		
Employer contributions	460	494
Benefits paid	<u>(460)</u>	<u>(494)</u>
Unfunded status at end of year	<u>\$ 5,526</u>	<u>\$ 6,036</u>
Amounts recognized in consolidated statements of financial position:		
Current liabilities	\$ 674	\$ 746
Noncurrent liabilities	<u>4,852</u>	<u>5,290</u>
Total amounts recognized in consolidated statements of financial position	<u>\$ 5,526</u>	<u>\$ 6,036</u>
Net periodic benefit costs:		
Service cost	\$ 0	\$ 1
Interest cost	271	160
Amortization of prior service cost	(173)	(173)
Amortization of net (gain) loss	<u>(45)</u>	<u>0</u>
Net periodic benefit cost	<u>\$ 53</u>	<u>\$ (12)</u>

Expected benefit payments to retirees under the postretirement plan, over the next 10 years are summarized below (dollars in thousands):

Years Ending December 31	Amount
2024	\$ 689
2025	659
2026	647
2027	614
2028	537
2029-2033	<u>2,099</u>
Total	<u>\$5,245</u>

7. COMMITMENTS AND CONTINGENCIES

Letters of Credit - EPRI has one deposit account for two cash-secured letters of credit (LOC) in the amount of \$240,000. One LOC in the amount of \$164,000, which was

renewed on February 3, 2024, is mandated by the state of California and is required for EPRI's disability program. The second LOC in the amount of \$76,000, which expired on March 17, 2024 was a performance guarantee to meet a contractual requirement. There were no balances outstanding under the letters of credit at either December 31, 2023 or 2022.

Leases - EPRI has entered into operating leases for research, office, and storage facilities and for equipment. In 2019, EPRI sold its leasehold interest related to the property in Palo Alto, California and entered into a lease for a portion of the space. The lease expires as of December 31, 2027. Rental expense under these leases was \$4,843,000 and \$5,603,000 in 2023 and 2022, respectively. The terms included in certain of these leases provide that EPRI is responsible for property taxes, insurance and maintenance expenses. These costs are included in the cost of operations in the statement of activities. The lease agreements may include options to extend the lease following the initial lease term.

EPRI leases certain buildings under a long-term noncancelable operating lease. The lease agreements may include options to extend the lease following the initial lease term.

Leases with an initial term of twelve months or less are not recorded on the balance sheet. EPRI recognizes lease expense for these leases on a straight-line basis over the lease of the term.

EPRI elected a use of the risk free interest rate as a practical expedient to determine the present value of the lease payments.

Operating lease information as of December 31, 2023 was as follows (dollars in thousands):

	2023
ROU assets - operating lease, net	\$ 18,162
Short term lease liability - operating lease	4,234
Long term lease liability - operating lease	15,526
Total lease liability	<u>\$ 19,760</u>
Cash paid for operating lease	\$ 4,521
Remaining lease term	56.46 months
Discount rate	1.48%

Future minimum noncancelable operating lease commitments with initial terms of one year or more as of December 31, 2023, are as follows (dollars in thousands):

Years Ending December 31	Total Amount
2024	\$ 4,511
2025	4,562
2026	4,459
2027	4,587
2028	813
Thereafter	<u>1,602</u>
Total lease payments	\$ 20,534
Less imputed interest	<u>(774)</u>
Total lease liability - operating leases	<u><u>\$ 19,760</u></u>

Other Commitments and Contingencies - As a matter of business practice, EPRI extends indemnification to its members, funders, and collaborators for certain contractual risks; furthermore, EPRI is required to provide certain indemnifications arising through EPRI's government contracts. In addition, through its bylaws and/or by operation of law, EPRI may owe indemnification in certain matters to members of its board of directors, officers, and employees.

Annually, EPRI authorizes the maximum amounts that may be expended on research projects. EPRI negotiates research contracts on those projects with companies and organizations that result in a contractual commitment for a given year. Such commitments cannot exceed the cumulative authorization without amending the original agreement. As of December 31, 2023, EPRI had commitments with contractors to reimburse their future research costs in the amount of approximately \$43,790,000. Generally, EPRI has the right to cancel research and development contract commitments at 30 days' notice, subject to the payment of certain termination costs.

Certain research contracts are funded from federal government sources. Amounts received from these contracts are subject to audit by the awarding agencies. To date, no significant cost disallowances have resulted from such audits.

In February 2023, the Institute's management became aware that certain EPRI products subject to the U.S. Department of Energy ("DOE") nuclear export control regulations at 10 C.F.R. Part 810 ("Part 810") were misclassified allowing them to be accessible by EPRI members and funders who were not authorized to do so under Part 810. Management began an internal investigation into the matter and submitted an initial voluntary self-disclosure ("VSD") to the DOE on March 22, 2023. EPRI filed its final voluntary self-disclosure of potential violations of 10 CFR Part 810 with the Department of Energy on May 5, 2023 and has completed a comprehensive review of its research portfolio to support accurate export control classifications. EPRI is still awaiting a decision on those potential violations. During the pendency of a decision, EPRI has (i) updated its export control classification and review process as well as guidance for interacting with Chinese customers; (ii) conducted additional training for employees engaged in the process and export-controlled activities; and (iii) dedicated additional internal resources to support compliance. In March 2024, the Department of Energy issued a specific authorization for an additional Chinese customer entity, which helps simplify compliance. Management

maintains its position that it does not expect the potential violations to have a material impact on the Institute’s financial position, results of operations and cash flows.

Actions arising from the normal course of business are pending against the Institute. While the outcome of these matters is not presently determinable, in the opinion of management, these matters are not expected to have a material effect on the consolidated financial position or results of operations of the Institute and, accordingly, no provision has been made in the consolidated financial statements.

8. RELATED-PARTY TRANSACTIONS

Throughout 2023, no more than 33 of the 37 seats on EPRI’s board of directors were filled by individuals who were affiliated with companies that are members of EPRI. In addition to membership funding, these member companies may also have provided supplemental funding to EPRI for certain research projects. Those member companies with representation on the board of directors during 2023 and 2022 provided approximately 45% and 46% of membership funding and 25% and 32% of supplemental funding, respectively. EPRI’s receivables as of December 31, 2023, and 2022 included \$8,774,000 and \$16,025,000 due from these member companies, respectively. EPRI’s accounts payable as of December 31, 2023, and 2022 included \$78,000 and \$129,000 due to these member companies, respectively.

9. EXPENSES

The table below presents expenses by both their nature and their function as of December 31, 2023 and 2022 (dollars in thousands).

2023	Program Activities								Supporting Activities	Management and General	Total Expenses
	Electrification and Sustainable Energy	Generation	Nuclear	Integrated Grid and Energy Systems	Transmission and Distribution Infrastructure	Low Carbon Resources Initiative	Climate READI	Technology Innovation Activities	Programs Subtotal		
Salaries and benefits	\$15,508	\$24,019	\$46,847	\$25,415	\$20,385	\$6,462	\$3,757	\$9,973	\$152,366	\$93,710	\$246,076
Services and professional fees	10,311	22,516	61,420	8,188	10,197	6,132	640	9,503	128,907	14,271	\$143,178
Travel and meetings	2,608	5,151	11,293	2,890	2,122	897	589	1,129	26,679	5,758	\$32,437
Supplies and office expenses	1,562	2,742	4,833	1,297	5,139	478	90	1,758	17,899	25,605	\$43,504
Allocated management and general expense	16,559	27,415	58,132	24,184	21,567	6,658	3,456	11,255	169,226	(148,752)	\$20,474
Depreciation and amortization	9	26	2	385	154	-	-	-	576	9,408	\$9,984
Total expenses	\$46,557	\$81,869	\$182,527	\$62,359	\$59,564	\$20,627	\$8,532	\$33,618	\$495,653	\$0	\$495,653
2022	Program Activities								Supporting Activities	Management and General	Total Expenses
	Electrification and Sustainable Energy	Generation	Nuclear	Integrated Grid and Energy Systems	Transmission and Distribution Infrastructure	Low Carbon Resources Initiative	Climate READI	Technology Innovation Activities	Programs Subtotal		
Salaries and benefits	\$13,588	\$20,550	\$43,478	\$23,153	\$18,471	\$4,985	\$911	\$7,747	\$132,883	\$83,648	\$216,531
Services and professional fees	7,887	29,757	58,862	7,564	8,843	10,659	135	8,624	132,331	10,238	\$142,569
Travel and meetings	3,650	3,821	9,083	1,885	1,555	418	92	795	21,299	5,306	\$26,605
Supplies and office expenses	2,016	2,390	6,535	1,322	5,385	258	-	1,088	18,994	25,011	\$44,005
Allocated management and general expense	15,185	25,096	54,869	23,036	20,109	6,307	865	9,649	155,116	(134,388)	\$20,728
Depreciation and amortization	-	8	-	229	83	-	-	-	320	10,185	\$10,505
Total expenses	\$42,326	\$81,622	\$172,827	\$57,189	\$54,446	\$22,627	\$2,003	\$27,903	\$460,943	\$0	\$460,943

Management and general expense is allocated to program activities based upon actual expenses incurred by the programs.

10. SUBSEQUENT EVENT

Subsequent events were evaluated through April 17, 2024, the date when the consolidated financial statements were available to be issued. On February 9, 2024, EPRI management exercised its right to terminate the Institute's Master Services Agreement (Agreement or MSA) and related Statement of Work with the Institute's SAP Implementation Partner ("Partner"), alleging a repeated and material breach of the Agreement and Statement of Work. Under the provisions of the Agreement any disputes thereunder are subject to arbitration. On February 27, 2024 the Partner filed a counterclaim against EPRI citing improper termination of the Agreement by EPRI. The parties have not yet been assigned an arbitrator and no schedule for arbitration has been determined. Exact timing of the arbitration is uncertain but is currently estimated by EPRI to be no earlier than December 2024. The ultimate outcome of this matter is uncertain; however, there is a possibility that an unfavorable outcome against EPRI could occur. There is not sufficient information available at this time to provide a reasonable estimate of a potential outcome; however, EPRI does not believe that any unfavorable outcome will have a material impact on the Institute's financial position, results of operations and cash flows. Management will continue to assess this matter during 2024.

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**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND
UNIFORM GUIDANCE COMPLIANCE REPORTS
FOR THE YEAR ENDED DECEMBER 31, 2023**



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**REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND COMPLIANCE AND OTHER MATTERS BASED ON
AN AUDIT OF CONSOLIDATED FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Electric Power Research Institute, Inc.
Palo Alto, California

We have audited, in accordance with the 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 consolidated financial statements of Electric Power Research Institute, Inc. and its subsidiaries (the "Institute" or EPRI), which comprised the consolidated statement of financial position as December 31, 2023, and the related consolidated statements of activities and changes in net assets and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated April 17, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Institute's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Institute's internal control. Accordingly, we do not express an opinion on the effectiveness of the Institute'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. We identified a deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs that we consider to be a significant deficiency. The Institute is responsible for preparing a corrective action plan

to address the significant deficiency. The Institute's corrective action plan was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Institute's consolidated 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.

Deloitte + Touche LLP

April 17, 2024



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REPORT ON COMPLIANCE FOR THE MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Electric Power Research Institute, Inc.
Palo Alto, California

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited Electric Power Research Institute, Inc.'s (the "Institute" or EPRI) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on the Institute's major federal program for the year ended December 31, 2023. The Institute's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Institute complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2023.

Basis for Opinion on the Institute's Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Institute and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of Institutes' compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of

laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Institute's federal program.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Institute's compliance based on our audit. 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 GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Institutes' compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, 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 Institute's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the Institute's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Institute's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control*

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Deloitte + Touche LLP

April 17, 2024

ELECTRIC POWER RESEARCH INSTITUTE, INC.

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2023**

Assistance Listings Number	Federal Grantor/Pass-through Grantor/Program or Cluster Title	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
RESEARCH AND DEVELOPMENT CLUSTER				
U.S. Department of Commerce (DOC)				
11.609	U.S. DOC, National Association of Regulatory Utility Commissioners / National Institute of Standards and Technology		\$ 5,325	\$ 21,866
U.S. Department of Defense (DOD)				
12.300	U.S. DOD / Office of Naval Research (ONR)	N00014-23-1-2482	\$ -	\$ 61,012
12.351	U.S. DOD, DTRA / Xator Corporation	EPRI-04109.000-01	\$ -	\$ 836,677
12.RD.W912HQ-17-C-0004	U.S. DOD, USACE Humphreys Engineer Center Support Activity (HECSA)		-	28,047
12.RD.W912HQ-20-C-0001	U.S. DOD, USACE Humphreys Engineer Center Support Activity (HECSA)		-	17,555
12.RD.W912HQ-22-C-0066	U.S. DOD, USACE Humphreys Engineer Center Support Activity (HECSA)		-	93,220
12.RD.W912HQ-23-C-0040	U.S. DOD, USACE Humphreys Engineer Center Support Activity (HECSA)		-	74,143
12.RD.W912HQ	U.S. DOD, USACE Humphreys Engineer Center Support Activity (HECSA)		\$ -	\$ 212,964
U.S. Air Force Research Laboratory (AFRL)				
12.800	ARRL	EW22-D6-7415	\$ -	\$ 335,826
U.S. Department of State (DOS)				
19.017	U.S. Department of State (DOS) / Duke University	SLMAQM20CA2398	\$ -	\$ 3,280
National Aeronautics and Space Administration (NASA)				
43.007	NASA, Space Operations		\$ 52,000	\$ 177,466
National Science Foundation (NSF)				
47.050	NSF / Division of Atmospheric and Geospace Sciences (AGS) / West Virginia University	MM000453935/PO2149779	\$ -	\$ 22,428
U.S. Department of Energy (DOE)				
81.000	U.S. DOE, Office of Electricity (OE) / Lawrence Berkeley National Laboratory (LBNL)	7665034	-	193,932
81.000	U.S. DOE, Office of Electricity (OE) / Lawrence Berkeley National Laboratory (LBNL)	7700204	-	17,179
81.000	U.S. DOE, Office of Electricity (OE)		\$ -	\$ 211,110
81.008	U.S. DOE, Cybersecurity, Energy Security & Emergency Response (CESER)		\$ 225,000	\$ 1,496,612
81.008	U.S. DOE, CESER / Iowa State University	026633A	\$ -	\$ 37,473
81.008	Cybersecurity, Energy Security & Emergency Response (CESER)		\$ 225,000	\$ 1,534,084
81.049	U.S. DOE, SBIR/STTR / Carbon Solutions, LLC	DE-SC0022486 sub	\$ -	\$ 3,971
81.057	U.S. DOE, NETL, OFE / Michigan Technological University	FE0032071/107197	\$ -	\$ 15,464
81.086	U.S. DOE, National Energy Technology Laboratory (NETL), Energy Efficiency & Renewable Energy (EERE)		70,470	769,059
81.086	U.S. DOE, NETL, EERE / Lawrence Berkeley Laboratory	7531576	-	110,467
81.086	U.S. DOE, NETL, EERE / University of Maryland	104006-Z7145202	-	258,557
81.086	U.S. DOE, NETL, EERE / Colorado State University	773097	-	29,252
81.086	U.S. DOE, Golden Field Office (GF), EERE		458,750	976,643
81.086	U.S. DOE, GFO, EERE / North Carolina State University	2014-0654-90	-	42,162
81.086	U.S. DOE, GFO, EERE / North Carolina State University	2014-0654-99	85,950	99,616
81.086	U.S. DOE, GFO, EERE / Regents of The University of Minnesota	P008896902	1,000	79,654
81.086	Conservation Research and Development Total		\$ 616,169	\$ 2,365,411

(Continued)

ELECTRIC POWER RESEARCH INSTITUTE, INC.

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2023**

Assistance Listings Number	Federal Grantor/Pass-through Grantor/Program or Cluster Title	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
RESEARCH AND DEVELOPMENT CLUSTER				
81.087	U.S. DOE, GFO, EERE		2,094,638	6,673,434
81.087	U.S. DOE, GFO, EERE / Arizona State University	ASUB00000838	-	39,778
81.087	U.S. DOE, GFO, EERE / Eaton Corporation	0011-44964	-	22,966
81.087	U.S. DOE, GFO, EERE / Interstate Renewable Energy Council (IREC)	9002-1	-	30,488
81.087	U.S. DOE, GFO, EERE / Littoral Power Systems Inc.	LPS-EE8969-001	-	1,609
81.087	U.S. DOE, GFO, EERE / Solar Dynamics LLC	DE-EE0009810 sub	-	20,794
81.087	U.S. DOE, GFO, EERE / University of Massachusetts Lowell	S51900000053342 / L001440451	-	9,127
81.087 Renewable Energy Research and Development Total			<u>\$ 2,094,638</u>	<u>\$ 6,798,196</u>
81.089	U.S. DOE, NETL, Fossil Energy and Carbon Management (FECM)		333,542	488,099
81.089	U.S. DOE, NETL, FECM / Univ. of Kentucky	3200004758-23-295	-	2,326
81.089	U.S. DOE, NETL, FECM / Univ. of Kentucky	3200004445-22-171	80,072	254,295
81.089	U.S. DOE, NETL, FECM / Univ. of Kentucky	3200004674-22-210	-	7,898
81.089	U.S. DOE, NETL, FECM / Univ. of Kentucky	3200005425-23-250	-	31,371
81.089	U.S. DOE, NETL, Office of Fossil Energy (OFE)		2,889,132	3,944,277
81.089	U.S. DOE, NETL, OFE / Carbon Collect, Inc.	FE0032097-EPRI	-	93,133
81.089	U.S. DOE, NETL, OFE / Clemson University	2165-219-2023554	217,947	278,061
81.089	U.S. DOE, NETL, OFE / Gas Technology Institute	S1070	-	61,540
81.089	U.S. DOE, NETL, OFE / Gas Technology Institute	SR108_PROJ NO-23178	-	95,533
81.089	U.S. DOE, NETL, OFE / Montrose Water and Sustainability Services, Inc.	DE-FE0031676 Sub	46,615	54,026
81.089	U.S. DOE, NETL, OFE / RTI International	MSA# 888-21-20-05	112,053	237,927
81.089	U.S. DOE, NETL, OFE / Siemens Corporation, Corporate Technology	180-3	-	115,742
81.089	U.S. DOE, NETL, OFE / Southwest Research Institute	P99009RR	3,700	21,115
81.089	U.S. DOE, NETL, OFE / University of Cincinnati	013495-002	-	24,988
81.089	U.S. DOE, NETL, OFE / Washington University in St. Louis	WU-21-229 - PO#ST00000076	69,439	96,579
81.089	U.S. DOE, NETL, OFE / West Virginia University	19-599-EPRI	118,573	221,125
81.089 Fossil Energy Research and Development Total			<u>\$ 3,871,073</u>	<u>\$ 6,028,037</u>

(Continued)

ELECTRIC POWER RESEARCH INSTITUTE, INC.

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2023**

Assistance Listings Number	Federal Grantor/Pass-through Grantor/Program or Cluster Title	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
RESEARCH AND DEVELOPMENT CLUSTER				
81.121	U.S. DOE, Idaho Operations (ID), Office of Nuclear Energy (NE)		659,668	1,707,985
81.121	U.S. DOE, ID, NE / Auburn University Research Innovation	21-MREC-211754-EPRI	-	38,645
81.121	U.S. DOE, ID, NE / Auburn University Research Innovation	22-MREC-211755-EPRI	-	50,131
81.121	U.S. DOE, ID, NE / General Atomics	PO4500093454	182,607	335,666
81.121	U.S. DOE, ID, NE / North Carolina State University	2020-2006-02	-	8,421
81.121	U.S. DOE, ID, NE / Southern Company Services, Inc.	74520	-	20,664
81.121	U.S. DOE, ID, NE / University of Michigan	SUBK00016970	-	78,078
81.121	U.S. DOE, ID, NE / University of South Carolina	21-4230 / 2000055633	-	20,425
81.121	U.S. DOE, ID, NE / University of South Carolina	22-4739	-	6,682
81.121	U.S. DOE, ID, NE / University of Tennessee	A22-0548-S001	-	3,048
81.121	U.S. DOE, ID, NE / University of Wisconsin	1557	-	24,206
81.121	U.S. DOE, Office of Science (SC) / Oak Ridge National Laboratory / UT Battelle LLC	CW41328_4000205265	-	45,537
81.121	U.S. DOE, SC / Oak Ridge National Laboratory / UT Battelle LLC	CW43717_4000207685	-	53,086
81.121	U.S. DOE, SC / Oak Ridge National Laboratory / UT Battelle LLC	4000193060	4,050	23,585
81.121 Nuclear Energy Research, Development and Demonstration Total			<u>\$ 846,325</u>	<u>\$ 2,416,159</u>
81.122	U.S. DOE, Office of Electricity (OE) / Lawrence Berkeley National Laboratory (LBNL) Electricity Delivery and Energy Reliability, Research, Development and Analysis	7651930	\$ -	\$ 1,209
81.135	U.S. DOE, Office of Science (SC) / Idaho National Laboratory (INL) / Battelle Energy Alliance	41798-03	-	968
81.135	U.S. DOE, SC / INL / GE Hitachi Nuclear Energy Americas, LLC	BEA/INL 02859160	114,332	165,714
81.135	U.S. DOE, ARPA-E		187,582	385,506
81.135	U.S. DOE, ARPA-E / Georgia Institute of Technology	AWD-000271-G1	-	109,876
81.135	U.S. DOE, ARPA-E / Johns Hopkins University	2004828840	-	239,039
81.135	U.S. DOE, ARPA-E / Rensselaer Polytechnic Institute	A21-0018-S003	-	61,939
81.135	U.S. DOE, ARPA-E / RTI International	4-340-0219009-67492L	-	3,820
81.135	U.S. DOE, ARPA-E / Siemens Corporation, Corporate Technology	236-01	-	260,622
81.135	U.S. DOE, NETL, ARPA-E / X-energy, LLC	PO0000001526	148,846	256,560
81.135 Advanced Research Projects Agency-Energy Total			<u>\$ 450,761</u>	<u>\$ 1,484,044</u>
81.RD.89243218CNE000001	U.S. DOE, Idaho Operations Office		<u>\$ 1,080,779</u>	<u>\$ 1,299,478</u>
97.108	U.S. Department of Homeland Security (DHS) / HS, Research, Testing, Evaluation, and Demonstration of Technolog		\$ -	\$ 17,865
99.RD.DE-AC36-08GO28308	U.S. DOE, National Renewable Energy Laboratory (NREL)	SUB-2022-10250	\$ 1,846	\$ 45,110
99.RD.DE-AC36-08GO28308	U.S. DOE, NREL	SUB-2023-10467	\$ -	\$ 33,974
99.RD.DE-AC02-06CH11357	U.S. DOE, Argonne National Laboratory (ANL)	0F-60176	\$ -	\$ 74,510
99.RD.DE-NA0001942	U.S. DOE, National Nuclear Security Administration (NNSA) / Consolidated Nuclear Security, LLC (CNS)	4300177081	\$ -	\$ 201,610
99.RD.DE-NA0001942	U.S. DOE, NNSA / Consolidated Nuclear Security, LLC (CNS)	4300178745	\$ 5,448	\$ 11,572
99.RD.DE-AC52-07NA27344	U.S. DOE, NNSA / Lawrence Berkeley Laboratory	B650014	\$ -	\$ 10,122
99.RD.DE-AC05-76RL01830	U.S. DOE, Battelle for the Management and Operation of Pacific Northwest National Laboratory	612018	\$ -	\$ 241,323
99.RD.DE-AC05-76RL01830	U.S. DOE, Battelle for the Management and Operation of Pacific Northwest National Laboratory	669871	\$ 18,400	\$ 48,308
TOTAL - RESEARCH AND DEVELOPMENT			<u>\$ 9,267,764</u>	<u>\$ 24,513,076</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 9,267,764</u>	<u>\$ 24,513,076</u>

See notes to Schedule of Expenditures of Federal Awards.

(Concluded)

ELECTRIC POWER RESEARCH INSTITUTE, INC.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED DECEMBER 31, 2023

1. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of expenditures of federal awards (the "Schedule") has been prepared from Electric Power Research Institute Inc.'s, (the "Institute" or EPRI) accounting records and is presented on the accrual basis of accounting in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). The purpose of the Schedule is to present a summary of those activities of EPRI for the year ended December 31, 2023 which have been partially financed by the U.S. government (federal awards). For purposes of the Schedule, federal awards include all assistance entered into directly between EPRI and the federal government and between EPRI and other primary recipients of federal government funding (pass-through). Amounts Passed-Through to Subrecipients are included in Total Federal Expenditures. In addition to Total Federal Expenditures, EPRI reported \$5,781,782 in cost share spending on these federal awards during the year ended December 31, 2023. Because the Schedule presents only a selected portion of the activities of the Institute, it is not intended to, and does not, present either the consolidated financial position, changes in net assets, or cash flows of the Institute.

2. DE MINIMIS COST RATE

The Institute has not elected to use the 10% de minimis cost rate as covered in §200.414(f) Indirect (F&A) costs of the Uniform Guidance.

3. NONCASH FEDERAL AWARDS

During the year ended December 31, 2023, the Institute did not receive any federal nonmonetary assistance.

ELECTRIC POWER RESEARCH INSTITUTE, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED DECEMBER 31, 2023

SECTION I—SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified? yes no
- Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified? yes none reported

Type of auditor’s report issued on compliance for major federal program: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? yes no

Identification of major federal program:

Assistance Listings Number(s): Various

Name of Federal Program or Cluster: Research and Development Cluster

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? yes no

ELECTRIC POWER RESEARCH INSTITUTE, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED DECEMBER 31, 2023

SECTION II—FINANCIAL STATEMENT FINDINGS

Finding Reference Number 2023-001

Cash Equivalent Classification

Criteria – FASB ASC 230, *Statement of Cash Flows*, defines cash equivalents as short-term, highly liquid investments that have both of the following characteristics:

- a. Readily convertible to known amounts of cash
- b. So near their maturity that they present insignificant risk of changes in value because of changes in interest rates.

Generally, only investments with original maturities of three months or less qualify under that definition.

Condition – Certain investments with original maturities greater than three months were improperly classified as cash equivalents on the financial statements. This improper classification was corrected in the consolidated financial statements by Management as of and for the year ended December 31, 2023.

Cause – The Institute’s review of composition of cash equivalents did not consider the original maturity of such investments in arriving at the correct total of cash equivalents for proper classification in the consolidated financial statements.

Effect – The difference in the condition and criteria described above resulted in the need for a correcting entry to resolve the improper classification reclassifying these investments from cash equivalents to short term investments.

Recommendation – Management should adopt corrective actions to conduct a thorough review of the composition of cash equivalents for each reporting period with specific attention to the original maturity of each underlying investment ensuring compliance with ASC 230 and the Institute’s accounting policy.

View of Responsible Officials – See attached corrective action plan.

SECTION III—FEDERAL AWARD FINDINGS AND QUESTIONED COST

No matters are reportable.



APPENDIX A

Corrective Action Plan for the Year Ended December 31, 2023

Finding - 2023-001

Financial Statement Finding – Cash Equivalent Classification

Condition - Certain investments with original maturities greater than three months were improperly classified as cash equivalents on the financial statements. This improper classification was corrected in the consolidated financial statements by the Institute as of and for the year ended December 31, 2023.

Corrective Action Plan – EPRI agrees with this finding. We are developing corrective actions to conduct a thorough review of the composition of cash equivalents for each reporting period with specific attention to the original maturity of each underlying investment ensuring compliance with ASC 230 and the Institute’s accounting policy.

Contact Person – Swati Daji
Executive Vice President, Chief Financial, Risk and Operations Officer

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