



**SA ENERGY ACQUISITION PUBLIC FACILITY CORPORATION MEETING
TO BE HELD ON JULY 29, 2024
LOCATION: CPS ENERGY BOARD ROOM (500 MCCULLOUGH AVE)**

At any time during the Board Meeting, the Board may go into an executive session as permitted by the Texas Open Meetings Act, (Chapter 551 of the Texas Government Code) regarding any item on this agenda.

PFC Members

Ms. Janie Gonzalez, President

Dr. Francine Romero, Vice President

Mr. John Steen, Director

Mayor Ron Nirenberg, Director

Dr. Willis Mackey, Director

Mr. Rudy Garza, Assistant Vice President

Mr. Cory Kuchinsky, Director

AGENDA

ITEM	TOPIC	ACTION	PRESENTER / SPONSOR
1	CALL TO ORDER	Execute	Ms. Janie Gonzalez
2	PUBLIC COMMENT Pre-Registration is from Wednesday, July 24, 2024 5:00 PM – Friday, July 26, 2024 1:00 PM @ (210) 353-4662 or publiccommentregistration@cpsenergy.com	Discuss	Ms. Janie Gonzalez
CONSENT AGENDA			
3	APPROVAL OF CONSENT ITEMS: A. Minutes of the PFC Meeting held on 03/04/2024 B. Directors & Officers (“D&O”) Insurance Program Approval	Vote	Ms. Janie Gonzalez
REGULAR AGENDA			
4	PFC AUDIT RESULTS (Mr. Andrew Crouch, KPMG)	Discuss	Ms. Janie Gonzalez
5	CLOSE-OUT: Review Action Items from this meeting	Discuss	Ms. Julie Johnson
6	ADJOURNMENT	Execute	Ms. Janie Gonzalez
If the PFC meeting has not adjourned by 6:00 PM, the presiding officer may entertain a motion to continue the meeting, postpone the remaining items to the next Board meeting date, or recess and reconvene the meeting at a specified date and time.			

Draft for Review and Approval
at the July 29, 2024 meeting



**Minutes of Meeting of
Board of Directors
March 4, 2024**

A regular meeting of the Board of Directors of SA Energy Acquisition Public Facility Corporation ("PFC" or "Corporation"), held in the Board Room on the First Floor of the CPS Energy headquarters located at 500 McCullough, San Antonio, Texas, was called to order on Monday, March 4, 2024 at 3:24 p.m. by Board President Gonzalez.

The following Directors of the Corporation, constituting a quorum, were present and participated throughout the meeting:

Ms. Janie Gonzalez, President
Dr. Francine Romero, Vice President
Mr. Rudy Garza, Assistant Vice President
Dr. Willis Mackey
Mr. John Steen
Mayor Ron Nirenberg
Mr. Cory Kuchinsky

Also, in attendance during the meeting were:

Mr. Kevin Pollo, Executive Director
Ms. Shanna Ramirez, Secretary
Ms. Julie Johnson, Assistant Secretary
Mr. David Ramirez, Treasurer
Other CPS Energy leadership and staff members

I. WELCOME / CALL TO ORDER

Board President Gonzalez welcomed everyone and called to order the meeting. Ms. Ramirez confirmed a quorum was present.

Draft for Review and Approval
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II. PUBLIC COMMENT

Ms. Henrietta LaGrange, community member, stated she is interested in the transition away from coal, and noted that she has learned the transition is underway. She appreciates her questions being answered. She also thanked all CPS Energy employees that work in coal generation. Finally, she thanked Mr. Garza for his work and noted that the employees appreciate him.

III. APPROVAL OF CONSENT AGENDA

On a motion duly made by Board Member Steen, seconded by Board President Gonzalez, and upon affirmative vote by all members present, the following items on the Consent Agenda were unanimously approved:

- A. Board Meeting Minutes from July 31, 2023
- B. Financial Authorization and Approval Policy for Banking & Investing¹

IV. RESOLUTION FOR ELECTION OF OFFICERS

Ms. Ramirez reviewed the resolution. Assistant Vice President Garza moved to approve the resolution, and Board President Gonzalez seconded the motion. Board Member Steen expressed concern that the terms for the previous year expired on January 31, 2024, which leaves a gap where the authority of officers to act in an official capacity could be challenged. Ms. Ramirez noted that no official action was required to be taken by any member of the Board of Directors during this period, and as such there was not a concern for any challenge. Ms. Ramirez further noted the timing for the meeting next year would be reviewed.

The resolution electing officers was approved unanimously.

V. CLOSE-OUT

Ms. Johnson noted the scheduling of next year's election of officers as an action item.

ADJOURNMENT

There being no further business to come before the Board of Directors, the meeting was adjourned by President Gonzalez at 3:35 p.m.

Shanna M. Ramirez
Secretary of the Board

¹ Ms. Ramirez noted the only proposed change to the Policy would be the effective date, and a redline of proposed changes was not provided. She further noted that upon approval a clarification would be made such that the third recital clause for the Resolution for Approval of the Financial Authorization and Approval Policy for Banking and Investing would read: "WHEREAS, PFC has proposed a change to the effective date."



Executive Summary

Directors & Officers (D&O) Insurance Renewal Coverage for SA Energy Acquisition Public Facility Corporation (PFC) Effective August 1, 2024

- **Background:**

As part of the formation of the PFC and at the directive of its Board of Directors, the placement of a D&O insurance policy was executed at the PFC’s inception in April 2007 and is renewed annually.

- **PFC D&O Insurance Coverage:**

The policy protects the PFC’s Board of Directors from liability arising from actions connected to their corporate positions as they relate to the management of the PFC’s business operations. In addition, the individual directors and corporate assets are protected against legal claims alleging wrongful acts such as breach of duty, neglect, errors, misstatements or misleading information.

- **PFC D&O Insurance Policy Renewal:**

	Current Policy	Renewal Policy
Policy Period:	8/1/2023 – 7/31/2024	8/1/2024 – 7/31/2025
Policy Limit:	\$20,000,000	\$20,000,000
Deductible:	\$100,000	\$100,000
Annual Premium	\$82,909	\$80,244

- Annual renewal premium of \$80,244 represents a 3.2% decrease from expiring premium and is less than the 3%-5% increase experienced in the broader D&O insurance market, as indicated by Marsh USA LLC (CPS Energy’s insurance broker).
- Decrease is primarily driven by PFC being a limited purpose entity with minimal complexity and incumbent insurance carriers gaining a better “comfort level” with the risk.
- Renewal policy maintains the same coverage, policy limit, and deductible as the current policy.
- Premium expenses and deductible are paid by the PFC.

- **Other Notables**

- Originating policy limit of \$10M was increased to \$20M in July 2007, as recommended by the PFC Board.
- \$20M is above the average and median compared to Marsh peer group benchmarking.
- PFC does not assume the inherent statutory and common law protections afforded a municipally owned utility.



RESOLUTION APPROVING ACQUISITION OF DIRECTORS AND OFFICERS LIABILITY INSURANCE

WHEREAS, on May 21, 2007, the SA Energy Acquisition Public Facility Corporation's ("Corporation's") Board of Directors resolved to authorize the initial purchase of directors and officers liability insurance with policy limits equal to \$10 million with not more than a \$50,000 deductible; and

WHEREAS, on July 27, 2007, in order to provide an enhanced assurance of insurance protection, the Corporation's Board of Directors resolved to authorize the purchase of an additional \$10 million of coverage in excess of the primary \$10 million policy limit, resulting in securing two policies with a total limit of \$20 million; and

WHEREAS, on February 25, 2008, the Corporation's Board of Directors authorized the purchase of the primary \$10 million directors and officers liability insurance to renew the policy set to expire April 1, 2008; and

WHEREAS, on February 25, 2008, the Corporation's Board of Directors authorized the purchase of \$10 million excess directors and officers liability insurance to renew the policy set to expire June 1, 2008, and established a newly effective policy date of April 1, 2008 to correspond to the effective date of the primary \$10 million policy limit, resulting in continuing to secure two policies with a total limit of \$20 million; and

WHEREAS, on March 29, 2010, the Corporation's Board of Directors authorized increasing the directors and officers liability insurance deductible from \$50,000 to \$100,000 to attain additional premium savings; and

WHEREAS, the directors and officers liability insurance policies totaling \$20 million with a \$100,000 deductible are currently set to expire July 31, 2024; and

WHEREAS, the Corporation's Board of Directors acknowledges that the cost of the policy premium and deductible will be paid by the SA Energy Acquisition Public Facility Corporation; and

WHEREAS, the existing policies are available for renewal at the existing terms, conditions, limits and deductible for a period ending July 31, 2025, at a total premium cost of \$80,244; and

WHEREAS, pursuing this insurance coverage for members of the Board of Directors continues to be a prudent and necessary expenditure to address the liability of the Corporation's Directors and Officers; and

NOW, THEREFORE, BE IT RESOLVED, that the Corporation's Board of Directors hereby authorizes the renewal of the Corporation's Directors and Officers Liability Insurance Program, which currently provides Corporate Board members and officers with insurance coverage of \$20 million with a \$100,000 deductible, to replace the policies that are set to expire July 31, 2024, with both premium and deductible, if the need arises, to be paid by the SA Energy Acquisition Public Facility Corporation.

Shanna M. Ramirez, Secretary



SA Energy Acquisition Public Facility Corporation

Discussion with those charged with governance

Audit results and strategy for the year ending January 31, 2024

Prepared on: July 12, 2024

Presented on: July 29, 2024





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Audit results: Overview

Outstanding matters

Customary outstanding matters as of July 12, 2024 are listed on slide 5 and 6.

Auditors' report

Unmodified report on PFC's financial statements. See slides 8 to 10.

Uncorrected Misstatements

Uncorrected misstatement associated with the effects of PFC's non-GAAP policy is detailed on slide 7.

Corrected Misstatements

No corrected misstatements identified.





Required communications to those charged with governance

Prepared on: 07/12/2024

Presented on: 07/29/2024



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Audit results required communications and other matters

Matters to communicate		Response
Significant unusual transactions	X	
Uncorrected audit misstatements	✓	Page 7
Corrected audit misstatements	X	
Financial statement presentation and disclosure omissions	X	
Non-GAAP policies and practices	X	
Auditors' report	✓	Pages 8 to 10
Changes to our risk assessment and planned audit strategy	X	
Significant accounting policies and practices	X	
Significant accounting estimates	✓	Page 11
Significant financial statement disclosures	✓	Page 12

Matters to communicate	Response
Related parties	X
Going concern	X
Other information	X
Subsequent events	X
Noncompliance with laws and regulations	X
Significant difficulties encountered during the audit	X
Significant findings or issues discussed, or the subject of correspondence with management	X
Management's consultation with other accountants	X
Disagreements with management	X
Other significant matters	X

✓ = Matters to report X = No matters to report



Audit results required communications and other matters

Matters to communicate

Consultations	There were no difficult or contentious matters for which the auditor consulted outside the engagement team that are relevant to the audit committee's oversight of the financial reporting process.
Illegal acts or fraud	No actual or suspected fraud involving management, employees with significant roles in internal control, or where fraud results in a material misstatement in the financial statements were identified during the audit.
Written communications	Engagement letter and management representation letter, including summary of uncorrected misstatements, to be distributed under separate covers.
Independence	See page 13



Uncorrected audit misstatements

\$(Thousands)		
Description of misstatement	Quantitative income statement effect	
	Iron curtain	Rollover – year to date
Amortization of net premium Long-Term debt, net	\$ 473	\$ 171
Total	\$473	\$171
Net income (loss)	\$0	\$0
Percentage	0%	0%

Non-GAAP polices and practices	Impact of non-GAAP policies and practices
Bond premium amortization	<p>PFC amortizes its bond premium utilizing the redemption price method, however, GASB 62 requires amortization of premiums and discounts to be made under the effective interest method.</p> <p>Management has quantified the difference between the two methods and concluded the non-GAAP policy does not have a material effect on the financial statements in the current or future periods.</p>



Auditors' report

Independent Auditors' Report

The Board of Directors
SA Energy Acquisition Public Facility Corporation:

Opinion

We have audited the financial statements of SA Energy Acquisition Public Facility Corporation (PFC), a component unit of the City of San Antonio, Texas, as of and for the years ended January 31, 2024 and 2023, and the related notes to the financial statements, which collectively comprise PFC's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of PFC as of January 31, 2024 and 2023, and the changes in its financial position and cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 PFC and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. 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 U.S. generally accepted accounting principles, 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 PFC's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.



Auditors' report

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 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 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, 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 PFC'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 PFC's ability to continue as a going concern for a reasonable period of time.



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Auditors' report

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 Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 supplementary information in accordance with GAAS, 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.

KPMG LLP

San Antonio, Texas
July 26, 2024



Significant accounting estimates

Fair value of the commodity swap derivative instrument

- In order to hedge against reductions in natural gas sales revenues from changes in monthly market index prices, the PFC entered into an International Swaps and Derivatives Association Master Agreement and related Schedule, Credit Support Annex and Confirmation (collectively referred to as the Commodity Swap Agreement) with the Royal Bank of Canada Europe Limited, the commodity swap counterparty, on June 14, 2007.
- Under the Commodity Swap Agreement, on a monthly basis over 20 years, the PFC will pay a floating price equal to the monthly IFERC West Texas (WAHA) natural gas index and receive a fixed price for notional quantities of natural gas, corresponding to the quantities of natural gas to be received under PFC's Prepaid Gas Agreement. The Commodity Swap Agreement meets the definition of a derivative instrument under GASB 53 and is recorded on the statement of net position at fair value.

Audit findings

Management's process used to develop the estimates

- The PFC estimates the fair value of the commodity swap by using a forward price curve and forecast to estimate the earnings or losses that will occur as a result of the Commodity Swap Agreement over the remaining life of the agreement. The resulting unrealized gains or unrealized losses were discounted to reflect the net present value.

Significant assumptions used that have a high degree of subjectivity

- N/A – no significant assumptions used that have a high degree of subjectivity

Indicators of possible management bias

- N/A – no significant assumptions used that have a high degree of subjectivity

Conclusions

- We believe management's assumptions used for the fair value of the commodity swap derivative instrument are appropriately accounted for and material matters are disclosed.



Significant financial statement disclosures

Description of significant financial statement disclosures	Audit findings
Cash, cash equivalents and investments	PFC discloses its invested balances in accordance with its Investment Policy. Money market mutual fund investments are accounted for using amortized cost. PFC's investment in its Guaranteed Investment Contract is reported at cost in accordance with GASB Statement No. 31, Certain Investments and External Investment Pools, as it is a nonparticipating contract.
Net Costs Recoverable from Future Participant Billings	PFC discloses that it accounts for its regulated operations under the provisions of GASB Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.
Prepaid Gas Supply	PFC discloses the significant terms of its Prepaid Gas Agreement with J. Aron & Company.
Long-Term Debt	PFC discloses its long-term debt activity and balances, including disclosure of future debt payments and compliance with all significant debt covenants.
Commodity Swap	PFC discloses the significant terms of its commodity swap derivative instrument, various risk exposures, and valuation methodology in accordance with GASB Statement No. 53, Accounting and Financial Reporting for Derivative Instruments.



Independence communications

The following are circumstances or relationships that, in our professional judgment, may reasonably be thought to bear on independence, and to which we gave significant consideration, in reaching the conclusion that independence has not been impaired.

Relationship	Description of relationship and relevant safeguards, if applicable	Fees (for services)
Accounting Research Online subscription	Access to KPMG’s Accounting Research Online, which is a web-based financial reporting research tool that aggregates publicly available published authoritative literature.	Complimentary
Custom Learning Portal	Access to KPMG’s Custom Learning Portal, which provides access to public training events, such as KPMG conferences, and self-study web-based trainings. The Customer Learning Portal does not result in client-specific advice or guidance, courses are provided “off-the-shelf”.	Complimentary





Questions?

For additional information and audit committee resources, including National Audit Committee Peer Exchange series, a Quarterly webcast, and suggested publications, visit the KPMG Audit Committee Institute (ACI) at www.kpmg.com/ACI

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