



**SA ENERGY ACQUISITION PUBLIC FACILITY CORPORATION MEETING
TO BE HELD ON JULY 31, 2023**

LOCATION: CPS ENERGY BOARD ROOM (500 MCCULLOUGH AVE)

THIS MEETING WILL FOLLOW THE REGULAR BOARD OF TRUSTEES MEETING

At any time during the Board Meeting and pursuant to the provisions of Chapter 551 of the Texas Government Code, the Board may meet in executive session concerning

- attorney-client matters under Section 551.071;
- deliberations and other authorized action on real property under section 551.072;
- prospective gives or donations under Section 551.073;
- personnel under Section 551.074;
- security personnel or devices under Section 551.076;
- economic development negotiations under Section 551.087;
- deliberations, voting or taking final action on competitive matters under section 551.086;
- deliberations regarding security audits and devices under Section 551.089; or
- deliberations under Texas Government Code Section 418.183(f) about confidential information under the Texas Homeland Security Act.

PFC Members

Ms. Janie Gonzalez, President

Mayor Ron Nirenberg, Director

Mr. Rudy Garza, Assistant Vice President

Dr. Francine Romero, Vice President

Dr. Willis Mackey, Director

Mr. Cory Kuchinsky, Director

Mr. John Steen, Director

AGENDA

ITEM	TOPIC	ACTION	PRESENTER / SPONSOR
1	CALL TO ORDER	Execute	Ms. Janie Gonzalez
2	PUBLIC COMMENT Pre-Registration is from Wednesday, July 26, 2023 5:00 PM – Friday, July 28, 2023 1:00 PM. Dial (210) 353-4662 or Email PublicCommentRegistration@CPSEnergy.com	Discuss	Ms. Janie Gonzalez
CONSENT AGENDA			
3	APPROVAL OF CONSENT ITEMS: A. Minutes of the PFC Meeting held on 2/27/2023 B. Directors & Officers (“D&O”) Insurance Program Approval	Vote	Ms. Janie Gonzalez
REGULAR AGENDA			
4	PFC AUDIT RESULTS (Ms. Caroline Garcia, KPMG)	Discuss	Ms. Julie Johnson
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 4:15 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 31, 2023 meeting



**Minutes of Meeting of
Board of Directors
February 27, 2023**

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, February 27, 2023 at 4:45 p.m. by Board President Mackey.

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

Dr. Willis Mackey, President
Ms. Janie Gonzalez, Vice President
Mr. Rudy Garza, Assistant Vice President
Mr. John Steen
Dr. Francine Romero
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 Mackey welcomed everyone and called to order the meeting. Ms Ramirez confirmed a quorum was present.

II. Public Comment

There were no members of the public wishing to provide public comment.

Draft for Review and Approval
at the July 31, 2023 meeting

III. CONSENT AGENDA

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

- A. Board Meeting Minutes from October 31, 2023
- B. Financial Authorization and Approvals Polciy for Banking & Investing

IV. RESOLUTION FOR APPOINTMENT OF DIRECTORS AND ELECTION OF OFFICERS

Ms. Ramirez read the following resolution:

RESOLUTION FOR ELECTION OF OFFICERS

WHEREAS, Article VII of the Corporation's Articles of Incorporation stipulates that "No person shall be appointed as a director of the Corporation unless that person is also appointed as a member of the Board of Trustees of CPS Energy or serves as the President and CEO or Chief Financial Officer of CPS Energy; provided that a director whose term on the Board of Trustees of CPS Energy or whose employment at CPS Energy concludes before the expiration of the term as a director of the Corporation shall also conclude their term as a director of the Corporation"; and

WHEREAS, on December 1, 2022, the San Antonio City Council reappointed the members of the CPS Energy Board of Trustees along with the President & Chief Executive Officer and the Chief Financial Officer of CPS Energy to the SA Energy Acquisition Public Facility Corporation Board of Directors for terms to commence February 1, 2023 and expiring on January 31, 2025; and

WHEREAS, on February 28, 2022 the Board of Directors elected a slate of officers to serve the Corporation for terms that expire January 31, 2023; and

WHEREAS, the Corporation's by-laws call for the election of a president, a vice president, a secretary, and an executive director and authorize the board of directors to establish and fill other offices that it determines to be necessary; and

NOW, THEREFORE, BE IT RESOLVED, that the following persons shall serve as officers of the Corporation, in positions as identified below, for a term ending January 31, 2024, provided that an officer whose term on the Board of Trustees of CPS Energy concludes before the expiration of the term as an officer of the corporation shall also conclude his/her term as an officer of the corporation:

Draft for Review and Approval
at the July 31, 2023 meeting

President ^(1,3)	Janie Gonzalez
Vice President ^(1,3)	Dr. Francine Romero
Assistant Vice President ⁽¹⁾	Rudy Garza
Secretary	Shanna Ramirez
Assistant Secretary ⁽²⁾	Julie Johnson
Treasurer ⁽²⁾	David Ramirez
Executive Director	Kevin Pollo

Notes:

- 1) *Also serves as a Director of the Corporation. Other Trustees of CPS Energy not specified above also serve as Directors of the Corporation.*
- 2) *Serves as an Authorized Financial Officer for Banking & Investing of the Corporation.*
- 3) *The President and Vice President positions in the Corporation are aligned to be consistent with the Chair and Vice Chair positions on the CPS Energy Board.*

On a motion duly made by Assistant Vice President Garza, seconded by Board Member Kuchinsky, and upon affirmative vote by all members present, the resolution was approved.

V. Close-Out

No action items were captured.

ADJOURNMENT

There being no further business to come before the Board of Directors, upon motion by Board Member Mackey and seconded by Assistant Vice President Garza, the meeting was adjourned by President Gonzalez at 4:49 p.m.

Shanna M. Ramirez
Secretary of the Board



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 August 1, 2023; 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 August 1, 2024, at a total premium cost of \$82,909; 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 August 1, 2023, 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, 2023

Prepared on: July 11, 2023

Presented on: July 31, 2023





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Quality



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Insights



Audit results: Overview

Outstanding matters Customary outstanding matters as of July 11, 2023 are listed on slide 5 and 6.	Auditors' report Unmodified report on PFC's financial statements.	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.	Deficiencies No significant deficiencies or material weaknesses identified.	Other Refer to slide 13 for list of inquiries.





Required communications to those charged with governance

Prepared on: July 11, 2023
Presented on: July 31, 2023



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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	✓	Page 8
Auditors' report	✓	Page 9
Changes to our risk assessment and planned audit strategy	X	
Significant accounting policies and practices	X	
Significant accounting estimates	✓	Page 10
Significant financial statement disclosures	✓	Page 11

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	
Difficult or contentious matters for which the auditor consulted	X	
Disagreements with management	X	
Other significant matters	X	

✓ = Matters to report X = No matters to report



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Audit results required communications and other matters

Matters to communicate

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, management representation letter, including summary of uncorrected misstatements, internal control deficiency letter, and minutes representation letter to be distributed under separate covers.
Independence	See page 12
Inquiries	See page 13



Uncorrected audit misstatements

\$(Thousand)		
Description of misstatement	Quantitative income statement effect, net of income taxes ⁽¹⁾	
	Iron curtain	Rollover – year to date
Amortization of net premium Long-Term debt, net <i>(to record the effect of PFC's non-GAAP policy to use the redemption price method of amortizing its bond premium in place of the effective interest method required by GAAP)</i>	\$ 644	\$ 139
Total	644	139
Net income (loss)	\$0	\$0
Percentage	0%	0%

Uncorrected misstatements or matters underlying those uncorrected misstatements could potentially cause future-period financial statements to be materially misstated, even if we have concluded that the uncorrected misstatements are immaterial to the financial statements under audit.



Non-GAAP policies and practices

The Company has adopted certain accounting policies or practices that, if applied to significant items or transactions, are not in accordance with US generally accepted accounting principles. The Company has evaluated the effect of the application of such policies and practices on the financial statements and concluded that such effect is not material to the 2023 financial statements.

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>



Auditor's report

Reports

- As of July 11, 2023, we expect to issue the following opinions and reports:
 - Unmodified opinion on the financial statements of SA Energy Acquisition Public Facility Corporation as of January 31, 2023.
 - Agreed-Upon Procedures Report on SA Energy Acquisition Public Facility Corporation's compliance with Public Funds Investment Act (PFIA) of the year ended January 31, 2023.

Matters affecting the form and content of the auditors' report

- An Other matter paragraph is expected to be added to the financial statement opinion related to the inclusion of required supplementary information as follows:
 - 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 auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



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 indicators of possible management bias were identified.

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, <i>Certain Investments and External Investment Pools</i> , 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, <i>Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements</i> .
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, <i>Accounting and Financial Reporting for Derivative Instruments</i> .



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



Inquiries

Are those charged with governance aware of:

- Matters relevant to the audit, including, but not limited to, violations or possible violations of laws or regulations?
- Any significant communications with regulators?
- Any developments in financial reporting, laws, accounting standards, corporate governance, and other related matters, and the effect of such developments on, for example, the overall presentation, structure, and content of the financial statements, including the following:
 - The relevance, reliability, comparability, and understandability of the information presented in the financial statements
 - Whether all required information has been included in the financial statements, and whether such information has been appropriately classified, aggregated or disaggregated, and presented?

Do those charged with governance have knowledge of:

- Fraud, alleged fraud, or suspected fraud affecting the Company?
 - If so, have the instances been appropriately addressed and how have they been addressed?

Additional inquiries:

- What are those charged with governance's views about fraud risks in the Company?
- Who is the appropriate person in the governance structure for communication of audit matters during the audit?
- How are responsibilities allocated between management and those charged with governance?
- What are the Company's objectives and strategies and related business risks that may result in material misstatements?
- Are there any areas that warrant particular attention during the audit and additional procedures to be undertaken?
- What are those charged with governance's attitudes, awareness, and actions concerning (a) the Company's internal controls and their importance in the entity, including oversight of effectiveness of internal controls, and (b) detection of or possibility of fraud?
- Have there been any actions taken based on previous communications with the auditor?
- Has the Company entered into any significant unusual transactions?
- Whether the entity is in compliance with other laws and regulations that have a material effect on the financial statements?
- What are the other document(s) that comprise the annual report, and what is the planned manner and timing of issuance of such documents?
- Have any subsequent events occurred that might affect the financial statements?





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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