



**SA ENERGY ACQUISITION PUBLIC FACILITY CORPORATION MEETING
TO BE HELD ON JUNE 30, 2025
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

Dr. Francine Romero, President
Dr. Willis Mackey, Vice President
Mr. Rudy Garza, Assistant Vice President
Mr. John Steen, Director

Mayor Gina Ortiz Jones
Ms. Janie Gonzalez, Director
Mr. Cory Kuchinsky, Director

AGENDA

ITEM	TOPIC	ACTION	PRESENTER / SPONSOR
1	CALL TO ORDER	Execute	Dr. Francine Romero
2	PUBLIC COMMENT Pre-Registration is from Wednesday, June 25, 2025 5:00 PM – Friday, June 27, 2025 1:00 PM @ (210) 353-4662 or publiccommentregistration@cpsenergy.com	Discuss	Dr. Francine Romero
CONSENT AGENDA			
3	APPROVAL OF CONSENT ITEMS: A. Minutes of the PFC Meeting held on 01/31/2025 B. Directors & Officers (“D&O”) Insurance Program Approval	Vote	Dr. Francine Romero
REGULAR AGENDA			
4	PFC AUDIT RESULTS (Mr. Andrew Crouch, KPMG)	Discus	Dr. Francine Romero
5	CLOSE-OUT: Review Action Items from this meeting	Discuss	Ms. Julie Johnson
6	ADJOURNMENT	Execute	Dr. Francine Romero
If the PFC meeting has not adjourned by 4:55 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 June 30, 2025 meeting



**Minutes of Meeting of
Board of Directors
January 31, 2025**

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 Friday, January 31 at 4:41 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:

Ms. Shanna Ramirez, Secretary
Ms. Julie Johnson, Assistant Secretary
Mr. David Ramirez, Treasurer
Mr. Kevin Pollo, Executive Director
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.

II. PUBLIC COMMENT

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

Draft for Review and Approval
at the June 30, 2025 meeting

III. APPROVAL OF CONSENT AGENDA

On a motion by Assistant Vice President Garza, seconded by Director Dr. Mackey, and upon the affirmative vote by all members present, the following items on the Consent Agenda were unanimously approved:

- A. Board Meeting Minutes from July 29, 2024
- B. Financial Authorization and Approvals Policy for Banking & Investing

IV. RESOLUTION FOR ELECTION OF OFFICERS

Director Steen moved to approve the Resolution for Election of Officers, Board President Gonzalez seconded the motion, and the following resolution was approved unanimously:

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, the San Antonio City Council is expected to reappoint the members of the CPS Energy Board of Trustees along with the President and CEO 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, 2025, and expiring on January 31, 2027; and

WHEREAS, the Board of Directors previously elected a slate of officers to serve the Corporation for terms that expire January 31, 2025; 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, 2026, 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:

President ^(1,3)	Dr. Francine Romero
Vice President ^(1,3)	Dr. Willis Mackey
Assistant Vice President ⁽¹⁾	Rudy Garza
Secretary	Shanna Ramirez
Assistant Secretary ⁽²⁾	Julie Johnson

Draft for Review and Approval
at the June 30, 2025 meeting

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.*

V. CLOSE-OUT

Ms. Julie Johnson noted that no action items were captured.

VI. ADJOURNMENT

There being no further business to come before the Board of Directors, a motion was made by Director Mackey, seconded by Assistant Vice President Garza, and approved unanimously. The meeting was adjourned by Board President Gonzalez at 4:41 p.m.

Shanna M. Ramirez
Secretary of the Board



Executive Summary

Directors & Officers (D&O) Insurance Renewal Coverage for SA Energy Acquisition Public Facility Corporation (PFC) Effective August 1, 2025

- **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 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:	8/1/2024 – 7/31/2025	8/1/2025 – 7/31/2026
Policy Limit:	\$20,000,000	\$20,000,000
Deductible:	\$100,000	\$100,000
Annual Premium	\$80,191	\$80,231

- Annual renewal premium of \$80,231 represents a marginal .05% increase from expiring premium & is within the 0%-3% increase experienced in the broader D&O insurance market, as indicated by Marsh USA LLC (CPS Energy's insurance broker).
- Favorable increase of .05% compared to market is driven by steady decrease in revenue and asset exposures for PFC
- Renewal policy maintains the same coverage, policy limit, & deductible as the current policy
- Premium expenses & 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 in line with the 3rd Quartile 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, 2026, at a total annual premium cost of \$80,231; 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, 2025, 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, 2025

Prepared on: June 9, 2025

Presented on: June 30, 2025

A better audit experience:

Providing a tailored, **client-centric** experience through the power of:

People

Agile, empowered teams

X

Platform

Next-generation technology



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Audit results: Overview

Outstanding matters

Customary outstanding matters as of June 9, 2025 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.



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Required communications to those charged with governance

Prepared on: 6/9/2025

Presented on: 6/30/2025



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Audit results required communications and other matters

Matters to communicate		Response	Matters to communicate		Response
Significant unusual transactions	X		Going concern	X	
Uncorrected audit misstatements	✓	Page 7	Other information	X	
Corrected audit misstatements	X		Subsequent events	X	
Financial statement presentation and disclosure omissions	X		Noncompliance with laws and regulations	X	
Non-GAAP policies and practices	X		Significant difficulties encountered during the audit	X	
Auditors' report	✓	Page 8 to 10	Significant findings or issues discussed, or the subject of correspondence with management	X	
Changes to our risk assessment and planned audit strategy	X		Management's consultation with other accountants	X	
Significant accounting estimates	✓	Pages 11	Disagreements with management	X	
Significant financial statement disclosures	✓	Pages 12	Other significant matters	X	
Related parties	X				

✓ = Matters to report X = No matters to report



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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 the system of 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 pages 13
Inquiries	See page 14



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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	\$333	\$140
Total	\$333	\$140
Net income (loss)	\$0	\$0
Percentage	0%	0%

Non-GAAP policies 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>



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Auditor's 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, 2025 and 2024, and the related notes to the financial statements, which collectively comprise the 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 the PFC as of January 31, 2025 and 2024, 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.



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Auditor's 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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Auditor's 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
June 27, 2025



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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



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Required inquiries

- What are your views about fraud risks, including management override of controls, at the entity and whether you have taken any actions to respond to these risks?
- Are you aware of, or have you identified, any instances of actual, suspected, or alleged fraud, including misconduct or unethical behavior related to financial reporting or misappropriation of assets?
If so, have the instances been appropriately addressed and how have they been addressed?
- Are you aware of or have you received tips or complaints regarding the entity's financial reporting (including those received through the internal whistleblower program, if such program exists) and, if so, what was your response to such tips and complaints?
- How do you exercise oversight over management's assessment of fraud risk and the establishment of controls to address/mitigate fraud risks?
- Has the entity entered into any significant unusual transactions?
- Are you aware of any matters relevant to the audit, including, but not limited to, any instances of actual or possible violations of laws and regulations, including illegal acts (irrespective of materiality threshold)?
- Has the entity complied with all covenants during the financial statement period and before the date of the auditor's report?
Have there been any events of default during the financial statement period and before the dates of the auditor's report?
- What is the audit committee's understanding of the entity's relationships and transactions with related parties that are significant to the entity?
- Does any member of the audit committee have concerns regarding relationships or transactions with related parties and, if so, what are the substance of those concerns?
- Have any subsequent events occurred that might affect the financial statements?
- Have there been any correspondence with regulators or licensing authorities?





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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