SA ENERGY ACQUISITION PUBLIC FACILITY CORPORATION
NOTICE OF MEETING

To protect the health of the public and limit the potential spread of COVID-19, social distancing and limited in-person attendance will be enforced at the meeting. Facial coverings are encouraged. Public comment on agenda items may be provided in-person, virtually or in writing. These meeting standards are based upon the provisions of the Open Meetings Act, as modified by the Governor of Texas in response to the COVID-19 crisis, and shall remain in place until further notice or until the state disaster declaration expires or is otherwise terminated by the Governor.

Notice is hereby given that the Board of Directors of the SA Energy Acquisition Public Facility Corporation will hold a public meeting in the Board Room located on the First Floor of the CPS Energy headquarters located at 500 McCullough, San Antonio, Texas **on Monday, July 26, 2021, at 5:15 p.m. or 15 minutes following the Regular Board Meeting of the CPS Energy Board of Trustees.** The Board of Directors will consider specifically those matters referred to in the attached agenda, which is incorporated herein. The meeting will also be live-streamed.

The meeting will be audio-streamed on cpsenergy.com.

Those wishing to speak on an agenda item during the Public Comment portion of the meeting must register on Friday, July 23, 2021, from 7:00 a.m. CT to 1:00 p.m. CT. Registration may be made by email at **publiccommentregistration@cpsenergy.com** or by phone at **(210) 353-4662**. Those registering to speak should be prepared to provide the following information:

- First & last name
- City & state of residence
- Phone number
- Email address
- Designate whether public comment will be provided in person or virtually
- Group for which the individual is speaking, if applicable
- Agenda item # about which they are speaking
- Any required translation services

In-person commenters, followed by virtual commenters, will be called to speak in the order that each registers.

Written comments may be sent to **publiccommentregistration@cpsenergy.com**. Note that written comments will not be read during the Board meeting.

The agenda packet is attached. It and other informational material may be found at:

https://www.cpsenergy.com/en/about-us/who-we-are/trustees/board-meetings.html

A recording of the meeting will be made and will be available to the public in accordance with the Open Meetings Act upon written request.

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

Shanna M. Ramirez
Secretary of the Board
July 21, 2021

SAENERGY
Acquisition Public Facility Corp

SA ENERGY ACQUISITION PUBLIC FACILITY CORPORATION MEETING TO BE HELD ON JULY 26, 2021 CPS ENERGY BOARD ROOM (500 MCCULLOUGH AVE)

This meeting will follow the 15-minute break after the Regular Meeting of the CPS Energy Board of Trustees held at 1:00 p.m.

To protect the health of the public and limit the potential spread of COVID-19, social distancing and limited in-person attendance will be enforced at the meeting. Facial coverings are encouraged. Public comment on agenda items may be provided in-person, virtually or in writing.

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 gifts 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.*

AGENDA

ITEM	TOPIC	ACTION	PRESENTER / SPONSOR
1	**CALL TO ORDER**	Execute	Mr. John Steen
2	**PUBLIC COMMENT** **Pre-Registration on Friday, July 23, 2021 from 7:00 AM – 1:00 PM @ (210) 353-4662 or PublicCommentRegistration@CPSEnergy.com** A. Chair's Announcements B. Comments	Discuss	Mr. John Steen
CHAIR'S PRIORITIES			
3	**RESOLUTION FOR APPOINTMENT OF DIRECTORS & ELECTION OF OFFICERS** (Ms. Shanna Ramirez)	Vote	Mr. John Steen
CONSENT AGENDA			
4	**APPROVAL OF CONSENT ITEMS:** A. Minutes of the Meeting held on 12/14/2020	Vote	Dr. Willis Mackey
REGULAR AGENDA			
5	**FINANCIAL AUTHORIZATION & APPROVALS POLICY FOR BANKING & INVESTING UPDATE**	Discuss	Ms. Shannon Albert
6	**AUDITED FINANCIALS** (Ms. Jodi Dobson, Baker Tilly & Ms. Carmen Garcia, C.C. Garcia & Co. P.C.)	Vote	Dr. Willis Mackey
7	**DIRECTORS & OFFICERS ("D&O") INSURANCE PROGRAM RENEWAL** (Mr. Anthony Werland)	Vote	Dr. Willis Mackey
8	**CLOSE-OUT:** **Review Action Items from this meeting**	Discuss	Ms. Shannon Albert
9	**ADJOURNMENT**	Execute	Dr. Willis Mackey
If the Board meeting has not adjourned by 6:20 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.			

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RESOLUTION FOR APPOINTMENT OF DIRECTORS AND 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 General Manager 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 January 14, 2020 the Board of Directors elected a slate of officers to serve the Corporation for terms that expire January 31, 2022; and

WHEREAS, effective May 17, 2021, Mr. Cory Kuchinsky was appointed CPS Energy's new Chief Financial Officer (CFO). Subsequently, Mr. Kuchinsky was appointed Treasurer on May 24, 2021. By virtue of his position and pursuant to Article 2.2 will be presented to City Council for appointment to the Corporation. Mr. Kuchinsky previously held the position of VP of Strategic Pricing & Enterprise Risk Management; and

WHEREAS, effective June 10, 2021, Ms. Shanna Ramirez was appointed CPS Energy's new Interim Chief Legal & Ethics Officer (CLEO), General Counsel & Board Secretary, and by virtue of her position and pursuant to Article 2.2 will be presented to City Council for appointment to the Corporation. Ms. Ramirez previously held the position of VP & Chief Integrated Security Officer; 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, 2022, 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. Willis Mackey
Vice President (1,3)	Janie Gonzalez
Assistant Vice President (1)	Paula Y. Gold-Williams
Secretary	Shanna Ramirez
Assistant Secretary (2)	Shannon R. Albert
Treasurer (2)	Julie Johnson
Executive Director	Kevin Pollo (4)

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.*

4) *Mr. Pollo will serve as Executive Director, replacing Mr. Vinson who retired in June 2021.*

____

Shanna Ramirez, Secretary

MINUTES OF MEETING OF
BOARD OF DIRECTORS
HELD ON DECEMBER 14, 2020

A regular meeting of the Board of Directors of SA Energy Acquisition Public Facility Corporation ("PFC"), held by telephone conference, was called to order on Monday, December 14, 2020 at 5:42 p.m. by PFC President John Steen.

The following Directors of the PFC, constituting a quorum, were present and participated throughout the meeting:
Mr. John Steen
Dr. Willis Mackey
Mr. Ed Kelley
Ms. Janie Gonzalez
Ms. Paula Gold-Williams
Mr. Gary Gold

Also, in attendance during the telephone conference were:
Ms. Carolyn E. Shellman, Secretary
Ms. Shannon Albert, Treasurer
CPS Energy leadership and staff members

I. WELCOME / CALL TO ORDER

Mr. Steen welcomed everyone and called the meeting to order.

II. PUBLIC COMMENT

No members of the public registered to speak. President Steen noted the various communication channels available for public comment.

III. APPROVAL OF CONSENT ITEMS

Approval of August 31, 2020 Minutes

Upon motion made by Mr. Kelley and seconded Dr. Mackey, the meeting minutes from the August 31, 2020 meeting were approved by all members present.

IV. AMENDMENT TO BYLAWS

Ms. Shellman stated that the proposed bylaw amendments update the PFC principal office and meeting location. Ms. Shellman noted that the principal office may be updated in the future without amending the bylaws.

Upon motion made by Dr. Mackey and seconded by Mr. Kelley, the amendments to the bylaws were approved by all members present.

V. FINANCIAL AUTHORIZATION AND APPROVALS POLICY FOR BANKING AND INVESTING

Mr. Gold presented the Financial Authorization and Approvals Policy for Banking and Investing noting that PFC Officers are required to annually review and approve it. Mr. Gold stated that there were no updates to the Policy.

In response to Ms. Gonzalez, Mr. Gold explained that the primary purpose of the PFC is the prepaid natural gas transaction.

Mr. Kelley asked about the various uses and meanings of "trustee" throughout the Policy. After discussion with staff, the Board requested that the term be defined or clarified in the Policy.

Ms. Gold-Williams moved that the Policy be approved, subject to the requested clarifications being made. Mr. Kelley seconded, and the motion was approved by all members present.

Ms. Albert agreed to provide the clarified Policy to the Board.

VI. CLOSE-OUT

Ms. Albert noted one action item: to clarify the Policy as discussed and provide it to the Board.

VII. ADJOURNMENT

There being no further business to come before the Board, upon motion by Mr. Kelley, seconded by Ms. Gold-Williams, the meeting was unanimously adjourned by Mr. Steen at 5:58 p.m.

Carolyn E Shellman

Carolyn E Shellman, Secretary

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FINANCIAL AUTHORIZATION AND APPROVALS POLICY FOR BANKING AND INVESTING (POLICY EFFECTIVE January 31, 2021)

BANKING

Accounts
The SA Energy Acquisition Public Facility Corporation Officers listed below ("Officers"), or any persons appointed to fill those positions in an interim capacity, are authorized to act in the name of SA Energy Acquisition Public Facility Corporation (the "PFC") to establish, maintain and close bank and/or trust accounts:

Assistant Vice-President
Assistant Secretary
Treasurer

Authority to open or close any bank or trust account at a designated financial institution requires the signatures of at least two Officers.

Financial Transactions
Any two Officers are authorized to sign checks drawn on PFC bank accounts. In addition, any two Officers may authorize and approve other financial transactions, including electronic funds transfers ("EFT") or investment of funds. EFT's may be executed verbally with personal identification codes, by signed letter or facsimile, or by electronic banking system transmission, provided that adequate segregation of system administration functions exists.

Any two Officers may designate other authorized representatives ("Authorized Representatives"). An Authorized Representative may authorize and approve financial transactions when, and only when, joined by at least one Officer. A list of Officers and, when applicable, Authorized Representatives will be provided to approved financial institutions along with specimen signatures. The Officers and Authorized Representatives who authorize and approve a financial transaction are prohibited from executing that transaction.

Collateral
In the event cash balances exceed levels insured by the Federal Deposit Insurance Corporation, the trustee, as defined by Texas Property Code Sec. 111.004(18) and hereinafter referred to as "Trustee", will pledge collateral in accordance with the Texas Public Funds Collateral Act and the Trust Indenture dated June 1, 2007 securing Gas Supply Revenue Bonds, Series 2007 ("Indenture"). Currently, Bank of New York Trust Company, N.A. serves as Trustee for the PFC. Two Officers will be required to approve collateral pledges or releases.

INVESTMENT

Investment Authorization
The above-listed Officers, or any persons appointed to fill those positions in an interim capacity, are authorized to act in the name of the PFC to establish, maintain and close

investment relationships with the Trustee, investment managers, money market funds, and depository institutions for the investment of PFC funds. The signature of any two Officers will be required to open or terminate such investment relationships. The Treasurer and the Assistant Secretary are designated as the PFC's Investment Officers, and will maintain the requisite number of investment training hours as specified in the Texas Public Funds Investment Act ("PFIA").

Investment Emphasis and Strategy
Investment of PFC funds will be in accordance with the PFIA, the Trust Indenture, and agreement(s) relating to the issuance of any of the PFC's bonds.

The investment emphasis and strategy describe its objectives based on the following order of importance:

1. Understanding of the suitability of the investment to the financial requirements of the entity;
2. Preservation and safety of principal;
3. Liquidity;
4. Marketability of the investment if the need arises to liquidate the investment before maturity;
5. Diversification of the investment portfolio; and
6. Yield

The majority of the PFC's funds will be invested in a Guaranteed Investment Contract (GIC) with J. Aron as the GIC provider. Goldman Sachs guarantees the obligations of its wholly-owned subsidiary, J. Aron (the gas supplier). The PFC Bond's credit ratings reflect the lower of the ratings of Goldman Sachs, CPS Energy, and the Royal Bank of Canada (the swap counterparty). Liquid funds (e.g., cash) in the Debt Service Fund, Revenue Fund, and General Fund are all currently in approved Government Money Market Funds.

The strategy for investment of PFC's funds is to ensure timely deposit of all debt service funds with the GIC provider.

Emphasis for investment of PFC funds should be placed on safety of principal and liquidity followed by emphasis on earning investment income at market rates.

Investment of funds not related to debt service will have a maximum maturity of one year or less to ensure adequate operating liquidity in the event early liquidation is required for cash flow purposes.

Market values of investments will be attained from sources deemed reliable by industry standard, and will be reviewed no less than quarterly. All eligible securities will be settled on a delivery versus payment method.

Other available funds beyond debt service will be timely invested in authorized investments to earn market yields, with emphasis on safety and liquidity for operational requirements.

Authorized Investments
PFC funds may be invested in "Qualified Investments" as defined in the Indenture. With the exception of GICs or Repurchase Agreements, the PFC will own no greater than 10% of the outstanding issued amount for any one CUSIP or money market mutual fund. All investments are to be made consistent with this Policy, the Indenture, the PFIA, and other legal agreements and federal income tax requirements. Any two Officers may authorize the Trustee

or investment manager to invest funds in said instruments without day-to-day oversight or additional authorization by those Officers.

No investment transaction shall be made that would cause the portfolio to be out of compliance with this Policy. The impact that an investment transaction would have on the portfolio will be evaluated prior to executing a transaction. However, it is possible for the portfolio to become out of compliance with this Policy due to regulatory changes, etc. Action will be taken to move the portfolio back into compliance within a period of 90 days from the date upon which the non-compliance event occurred or was discovered. Additional time periods may be granted in the event temporary market conditions are not seen as favorable for taking corrective action.

Standard of Care

Directors and Officers of the PFC, Authorized Representatives and the Trustee will be required to operate under the prudent-person rule, *i.e.*, managing financial transactions, investments and diversification of investments "shall be made with judgment and care, under prevailing circumstances, that a person of prudence, discretion and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, considering the probable safety of capital as well as the probable income to be derived."

Investment Reporting

Reports of investment activity will be prepared and submitted to the PFC Officers on a quarterly basis in accordance with PFIA requirements. In addition, this Financial Authorization and Approvals Policy for Banking and Investing will be reviewed and approved by the Officers of the PFC not less than annually, during the fiscal year. If brokers are engaged in investment transactions for the PFC, the Investment Officers will review and approve a list of qualified brokers on an annual basis.

FINANCIAL AUTHORIZATION AND APPROVALS POLICY FOR BANKING AND INVESTING - UPDATE

PFC POLICY CLARIFICATION

(reprinted from informational email sent to Board of Directors 1/29/21)

In response to a request by Trustee Kelley at the December 2020 Board meeting, we are providing you with clarifying language on the Financial Authorization and Approvals Policy for Banking and Investing ("The Policy"), effective January 31, 2021.

To address the request for clarification on the use of the words "Trustee" and "trustee," we have made the following changes within the Policy:

- Defined the word "Trustee" to refer to the PFC's custodial bank who will pledge collateral in accordance with the Texas Public Funds Collateral Act and the Trust Indenture.
- Added a reference to the Texas Property Section Code as the source of this definition.
- Identified Bank of New York Trust Company, N.A. as the current Trustee for the PFC.
- Replaced previous reference to "trustee" or "trustees" with the newly defined "Trustee."
- Clarified the Standard of Care section.

We have attached the Texas Property Code and have highlighted the relevant section for your convenience. We are also providing copies of both redlined and clean versions of the Policy.

Please do not hesitate to contact us with any additional questions. We appreciate your continued support.

Sincerely,

Loretta Kerner, Interim Director, Board Relations & Chief of Staff to the CEO, on behalf of,

Gary Gold, CPA
Interim Chief Financial Officer (CFO) & Treasurer
CPS Energy | 500 McCullough Ave., San Antonio, TX 78215 | MD: CT1501
Office: 210.353.2523 | Mobile: 210.414.8311
Email address | gwgold@cpsenergy.com

SA Energy Acquisition Public Facility Corporation Report on Fiscal Year 2021 Integrated Audit

Presented by:

Jodi Dobson, CPA, Partner
Baker Tilly US, LLP

Carmen Garcia, Partner
C.C. Garcia & Co., P.C.

July 26, 2021

bakertilly
now, for tomorrow.

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Audit presentation topics

> Audit overview
> Auditor Communication with Those Charged with Governance
> Internal control communication
> Questions

Audit overview

- Conduct and plan audit based on internal control over financial reporting and risks of financial misstatement
  - Internal control over financial reporting
  - Prepaid assets
  - Investment valuation
  - Revenue recognition
  - Disclosure of risks in the Notes
- Audit key business processes and procedures
- Audit financial disclosures for inclusion of
  - Complex transactions
  - Risks of the organization

Audit overview

> Audit was conducted smoothly with no major difficulties.

> Management and staff were cooperative and readily available.

> Audit schedule was maintained and communication between management and auditors was good.

> Last day of fieldwork was May 14, 2021.

> No audit adjusting journal entries were noted.

Audit overview

> Audit performed in accordance with Generally Accepted Auditing Standards.

> Audit is based on assessment of inherent and control risk in key business process areas. Below are several key areas of review:

- Prepaid assets
- Investment valuation
- Revenue recognition
- Receivables
- Debt
- Disclosure of risks in the financial statements
- Analytical review of statement of net position and statement of revenues, expenses and changes in net position

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Audit overview

> Integrated audit objective – obtain reasonable assurance that financial statements are free from material misstatement and whether effective internal control was maintained in all material respects

> Financial statements received an *Unmodified Opinion* (clean opinion)

> In our opinion effective internal control over financial reporting was maintained in all material respects

Auditor Communication with Those Charged with Governance

Significant Findings from the Audit

Area to Be Communicated	Auditor's Response
Auditor's View on Qualitative Aspects of Significant Accounting Policies	> The significant accounting policies used in the preparation of your financial statements are discussed in Note 1 to the financial statements. > Accounting estimates are an integral part of the financial statements prepared by management's knowledge and experience about past and current events and assumptions about future events. We feel that management's estimates were made in accordance with generally accepted accounting principles.

Auditor Communication with Those Charged with Governance

Significant Findings from the Audit (cont.)

Area to Be Communicated	Auditor's Response
Significant Difficulties Encountered in Performing the Audit	> We encountered no difficulties in performing our audit.
Fraud	> We did not identify known or suspected fraud during our audit.
Compliance with Laws and Regulations	> We did not identify any non-compliance with laws and regulations during our audit.

Auditor Communication with Those Charged with Governance

Significant Findings from the Audit (cont.)

Area to Be Communicated	Auditor's Response
Uncorrected Misstatements and Corrected Misstatements	> Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. > Uncorrected misstatements refer to immaterial passed audit adjustments. > There were no adjustments as part of this year's audit.

Auditor Communication with Those Charged with Governance

Significant Findings from the Audit

Area to be Communicated	Auditor's Response
Disagreements with Management	> Professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements were encountered during the course of the audit.
Other Findings or Issues	> There are no other issues to disclose as part of the audit.

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Auditor Communication with Those Charged with Governance

Significant Findings from the Audit (cont.)

Area to Be Communicated	Auditor's Response
Management Representations	> We have requested certain representations from management that are included in the management representation letter.
Going Concern	> The evaluation of our audit process did not identify a going concern issue.

Auditor Communication with Those Charged with Governance

Significant Findings from the Audit (cont.)

Area to Be Communicated	Auditor's Response
Management's Consultations with Other Accountants	> To the best of our knowledge, management has not consulted with or obtained opinions from other independent accountants on auditing and/or the application of accounting principles during the past year. > Professional standards require the consulting accountant to discuss any such contacts with the current auditor to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Auditor Communication with Those Charged with Governance

Significant Findings from the Audit

Area to be Communicated	Auditor's Response
Auditor Independence	> We are not aware of any relationships between Baker Tilly US, CC Garcia & Co. and CPS Energy that, in our professional judgment, may reasonably be thought to bear on our independence.

Internal control communication

AU-C Section 265

Communicating Internal Control Related Matters Identified in an Audit

Material weaknesses noted in PFC's internal control:

> None noted

Significant deficiencies noted in PFC's internal control:

> None noted

Audit summary

Thank You!

We appreciate the work performed by CPS Energy's accounting staff and management on behalf of SA Energy Public Facility Corporation in preparing for and assisting in the audit!

We would be happy to answer any questions regarding the audit.

Appendix

SAENERGY
Acquisition Public Facility Corp.

June 28, 2021

Baker Tilly US, LLP
c/o Jodi Dobson, Baker Tilly
2801 Via Fortuna, Suite 300
Austin, TX 78746

Ladies and Gentlemen:

We are providing this letter in connection with your audits of 1) the financial statements of SA Energy Acquisition Public Facility Corporation of San Antonio, Texas ("PFC") as of January 31, 2021 and 2020, and for the years then ended, for the purpose of expressing an opinion as to whether the financial statements present fairly, in all material respects, the financial position of PFC and the respective changes in financial position and cash flows, in conformity with accounting principles generally accepted in the United States of America and (2) the PFC's internal control over financial reporting ("ICFR") for the purpose of expressing an opinion as to whether the PFC maintained, in all material respects, effective internal control over financial reporting as of January 31, 2021, based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") (2013 framework). We confirm that we are responsible for the fair presentation of the previously mentioned financial statements in conformity with accounting principles generally accepted in the United States of America. We are also responsible for adopting sound accounting policies, establishing and maintaining internal control over financial reporting, and preventing and detecting fraud. Further, we confirm that the following representations also apply to your agreed-upon procedures related to the Public Funds Investment Act.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, the following representations made to you during your audit.

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter.

2. The financial statements referred to above are fairly presented in conformity with accounting principles generally accepted in the United States of America and include all properly classified funds and other financial information of the primary government and all component units required by accounting principles generally accepted in the United States of America to be included in the financial reporting entity.

3. We acknowledge our responsibility 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.

4. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.

5. We acknowledge our responsibility for establishing and maintaining effective Internal Controls over Financial Reporting (ICFR) and have performed an assessment of the effectiveness of ICFR based on criteria established in the *Internal Control-Integrated Framework* (2013), issued by the Committee of Sponsoring Organizations of the Treadway Commissions (COSO) as of January 31, 2021.

6. We did not use the auditor's procedures performed during the integrated audit as part of the basis of our assessment about ICFR.

7. The Company maintained effective internal control over financial reporting as of January 31, 2021, based on criteria established in *Internal Control - Integrated Framework* issued by COSO (2013 framework).

8. We have disclosed to you all deficiencies in the design or operation of ICFR (whether or not remediated) identified as part of our assessment of the effectiveness of ICFR as of January 31, 2021, including separately disclosing to you all such deficiencies that we believe to be significant deficiencies or material weaknesses in ICFR.

9. All control deficiencies identified and communicated to the PFC Board of Directors during previous engagements have been resolved or are in the process of remediation.

10. Significant assumptions we used in making accounting estimates are reasonable.

11. Related party relationships and transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with the requirements of accounting principles generally accepted in the United States of America.

12. All events subsequent to the date of the financial statements and for which accounting principles generally accepted in the United States of America require adjustment or disclosure have been adjusted or disclosed.

13. There are no known or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements. There are no unasserted claims or assessments that our legal counsel has advised us are probable of assertion and must be disclosed in accordance with accounting principles generally accepted in the United States of America.

14. Guarantees, whether written or oral, under which the PFC is contingently liable, if any, have been properly recorded or disclosed.

Information Provided

15. We have provided you with:

    a. Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters.

    b. Additional information that you have requested from us for the purpose of the audit.

    c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

    d. Minutes of the meetings of governing body of the PFC or summaries of actions of recent meetings for which minutes have not yet been prepared.

16. All material transactions have been recorded in the accounting records and are reflected in the financial statements.

17. We have disclosed to you the results of our assessment of the risk that the financial statements may be

materially misstated as a result of fraud.

18. We have no knowledge of any fraud or suspected fraud that affects the entity and involves:
    a. Management,
    b. Employees who have significant roles in internal control, or
    c. Others where the fraud could have a material effect on the financial statements.

19. We have no knowledge of any allegations of fraud or suspected fraud affecting the entity received in communications from employees, former employees, regulators, or others.

20. We have no knowledge of known instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse, whose effects should be considered when preparing financial statements.

21. There are no known related parties or related party relationships and transactions of which we are aware other than the contract between the PFC and CPS Energy for the sale to CPS Energy of all of the natural gas to be delivered to the PFC under the Prepaid Gas Agreement as disclosed in the notes to the financial statements.

Other

22. We have made available to you all financial records and related data.

23. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.

24. We have a process to track the status of audit findings and recommendations.

25. We have identified to you any previous financial audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.

26. We have provided our views on reported findings, conclusions, and recommendations, as well as our planned corrective actions, for our report.

27. The PFC has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or equity.

28. We are responsible for compliance with federal, state, and local laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts; and we have identified and disclosed to you all federal, state, and local laws, regulations and provisions of contracts and grant agreements that we believe have a direct and material effect on the determination of financial statement amounts or other financial data significant to the audit objectives, including legal and contractual provisions for reporting specific activities in separate funds.

29. There are no:
    a. Violations or possible violations of budget ordinances, federal, state, and local laws or regulations (including those pertaining to adopting and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency, or for reporting on noncompliance.
    b. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by accounting principles generally accepted in the United States of America.

c. Violations of restrictions placed on revenues as a result of bond resolution covenants such as revenue distribution or debt service funding.

30. The PFC has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral other than liens created by our revenue debt.

31. The PFC has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.

32. We have followed all applicable laws and regulations in adopting, approving, and amending budgets.

33. The financial statements properly classify all funds and activities.

34. We have identified and properly accounted for all nonexchange transactions.

35. Components of net position (net investment in capital assets; restricted; and unrestricted) and equity amounts are properly classified and, if applicable, approved.

36. We believe that we have properly identified all derivative instruments and any embedded derivative instruments that require bifurcation. The corporation's hedging activities, if any, are in accordance with its documented and approved hedging and risk management policies. The PFC follows the valuation, accounting, reporting and disclosure requirements outlined in GASB No. 53. We believe the timing, nature, and amounts of all forecasted transactions are probable of occurring. The fair values of all derivatives and hedged items have been determined based on prevailing market prices or by using financial models that we believe are the most appropriate models for valuing such instruments and that incorporate market data and other assumptions that we have determined to be reasonable and appropriate at year-end.

37. Deposits and investment securities are properly classified as to risk, and investments are properly valued. Collateralization agreements with financial institutions have been properly disclosed.

38. The operations and rate setting process meet the condition for application of accounting for regulated operations as outlined in GASB No. 62. All regulatory items included in the financial statements have been approved and are being accounted for in accordance with specific action taken by the regulatory body and as such the expectation of future recovery or refund is reasonable. The regulatory asset represents capitalized incurred costs that would otherwise be charged to expense. We expect to fully recover the year-end balance of such capitalized costs as a result of the executed contracts under Gas Project No. 1.

39. We have appropriately disclosed the PFC's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available and have determined that net position was properly recognized under the policy. We have also disclosed our policy regarding how restricted and unrestricted fund balance is used when an expenditure is incurred for which both restricted and unrestricted fund balance is available, including the spending hierarchy for committed, assigned, and unassigned amounts.

40. We acknowledge our responsibility for the required supplementary information ("RSI"). The RSI is measured and presented within prescribed guidelines, and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.

41. We have received opinions of counsel upon each issuance of tax-exempt bonds that the interest on such bonds is exempt from federal income taxes under section 103 of the Internal Revenue Code of 1986, as amended. There have been no changes in the use of property financed with the proceeds of tax-exempt bonds, or any other occurrences, subsequent to the issuance of such opinions, that would jeopardize the tax-exempt status of the bonds. Provision has been made, where material, for the amount of any required

arbitrage rebate.

42. Receivables reported in the financial statements represent valid claims against debtors arising on or before the date of the Statement of Net Position and have been appropriately reduced to their estimated net realizable value.

43. We believe that all material expenditures that have been deferred to future periods will be recoverable.

44. We have disclosed to you all accounting policies and practices we have adopted that, if applied to significant items or transactions, would not be in accordance with U.S. GAAP. We have evaluated the impact of the application of each such policy and practice, both individually and in the aggregate, on the PFC's current period financial statements, and the expected impact of each such policy and practice on future periods' financial reporting. We believe the effect of these policies and practices on the financial statements is not material. Furthermore, we do not believe the impact of the application of these policies and practices will be material to the financial statements in future periods.

45. We have complied with all tax and debt limits and with all debt-related covenants.

46. The PFC is responsible for the estimation methods and assumptions used in measuring assets and liabilities reported or disclosed at fair value, including information obtained from brokers, pricing services or third parties. Our valuation methodologies have been consistently applied from period to period. The fair value measurements reported or disclosed represent our best estimate of fair value as the measurement date in accordance with the requirements of GASB 72 – *Fair Value Measurement*.

47. The following information about financial instruments with off-balance-sheet risk and financial instruments with concentrations of credit risk has been properly disclosed in the financial statements:

    a. Extent, nature, and terms of financial instruments with off-balance-sheet risk;

    b. The amount of credit risk of financial instruments with off-balance-sheet credit risk and information about the collateral supporting such financial instruments; and

    c. Significant concentrations of credit risk arising from all financial instruments and information about the collateral supporting such financial instruments.

To the best of our knowledge and belief, no events, including instances of noncompliance, have occurred subsequent to January 31, 2021, and through the date of this letter that would require adjustment to, or disclosure in, the aforementioned financial statements.

Very truly yours,

SA Energy Acquisition Public Facility Corporation

Paula Gold-Williams
Assistant Vice President

Julie Johnson
Treasurer

Shannon R. Albert
Assistant Secretary
VP Accounting, CPS Energy
(Accounting Oversight)

SA ENERGY ACQUISITION

PUBLIC FACILITY CORPORATION

Report to the Board of Directors

January 31, 2021

DRAFT

The Board of Directors
SA Energy Acquisition Public Facility Corporation
San Antonio, Texas

We have completed our audit of the financial statements of SA Energy Acquisition Public Facility Corporation (PFC) as of January 31, 2021 and for the year then ended, and our audit of PFC's internal control over financial reporting as of January 31, 2021 (integrated audit) and have issued our report thereon dated July 26, 2021. This letter presents communications required by our professional standards.

OUR RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES OF AMERICA

Our responsibility is to plan and perform our integrated audit to obtain reasonable assurance about whether the financial statements are free from material misstatement, whether due to fraud or error, and whether effective internal control was maintained in all material respects (that is, whether material weaknesses exist as of the date specified in management's assessment).The integrated audit is not designed to detect deficiencies that, individually or in combination, are less severe than a material weakness. Our integrated audit does not relieve management or the board of their responsibilities.

OTHER INFORMATION IN DOCUMENTS CONTAINING AUDITED FINANCIAL STATEMENTS

Our responsibility does not extend beyond the audited financial statements identified in this report. We do not have any obligation to and have not performed any procedures to corroborate other information contained in client prepared documents, such as official statements related to debt issues.

PLANNED SCOPE AND TIMING OF THE AUDIT

We performed the audit according to the planned scope and timing previously communicated to you in our letter about planning matters dated March 13, 2019.

QUALITATIVE ASPECTS OF THE ENTITY'S SIGNIFICANT ACCOUNTING PRACTICES

Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the PFC are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the PFC during the year that were both significant and unusual, and of which, under professional standards, were required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. Management estimates an amortization rate for its prepaid natural gas supply based on a per unit cost of contracted volume. We evaluated the key factors and assumptions used to develop this estimate in determining that it is reasonable in relation to the financial statements taken as a whole.

Financial Statement Disclosures

The disclosures in the notes to the financial statements are neutral, consistent, and clear.

DIFFICULTIES ENCOUNTERED IN PERFORMING THE AUDIT

We encountered no significant difficulties in dealing with management in performing our audit.

CORRECTED AND UNCORRECTED MISSTATEMENTS

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. There were no such misstatements identified.

DISAGREEMENTS WITH MANAGEMENT

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

CONSULTATIONS WITH OTHER INDEPENDENT ACCOUNTANTS

In some cases, management may decide to consult with other accountants about auditing and accounting matters. If a consultation involves application of an accounting principle to the PFC's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

MANAGEMENT REPRESENTATIONS

We have requested certain representations from management that are included in the management representation letter. This letter follows this required communication.

INDEPENDENCE

We are not aware of any relationships between Baker Tilly US, LLP and the PFC that, in our professional judgment, may reasonably be thought to bear on our independence.

Relating to our audit of the financial statement as of and for the year ended January 31, 2021, Baker Tilly US, LLP hereby confirms in accordance with the Code of Professional Conduct issued by the American Institute of Certified Public Accountants, that we are, in our professional judgment, independent with respect to the PFC and provided no services to the PFC other than audit services provided in connection with the integrated audit of the current year's financial statements and audit of internal control over financial reporting.

OTHER AUDIT FINDINGS OR ISSUES

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the PFC's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

OTHER MATTER

We applied certain limited procedures to the required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

RESTRICTION ON USE

This information is intended solely for the use of the board and management and is not intended to be, and should not be, used by anyone other than these specified parties.

We welcome the opportunity to discuss the information included in this letter and any other matters. Thank you for allowing us to serve you.

Austin, Texas
July 26, 2021

SA ENERGY ACQUISITION
PUBLIC FACILITY CORPORATION

BASIC FINANCIAL STATEMENTS

Years Ended January 31, 2021 and 2020

(With Independent Auditors' Report Thereon)

SA ENERGY ACQUISITION
PUBLIC FACILITY CORPORATION

Basic Financial Statements
For the Years Ended January 31, 2021 and 2020

Table of Contents

MANAGEMENT'S DISCUSSION AND ANALYSIS

INTRODUCTION

The SA Energy Acquisition Public Facility Corporation (the "PFC") is a public, nonprofit entity organized under the laws of the State of Texas pursuant to the Texas Public Facility Corporation Act, Chapter 303, Texas Local Government Code, as amended. The PFC was organized to assist its Sponsor, the City of San Antonio, Texas, ("City") in financing, refinancing, or providing public facilities, including natural gas, to be devoted to public use. The PFC provides such assistance by acquiring, owning, operating, maintaining, selling, transferring and assigning electric energy and power, oil, coal, gas, and other liquid, gaseous or solid hydrocarbon fuels, leasehold and other interests therein. As of January 31, 2021, the PFC has initiated only one project, consisting of a long-term prepaid natural gas transaction as discussed in the Financial Highlights section.

The following Management's Discussion and Analysis ("MD&A") of the PFC provides an overview of financial performance for the fiscal year ended January 31, 2021 ("FY2021"), compared to the fiscal year ended January 31, 2020 ("FY2020"). It also provides an overview of the financial performance for FY2020, compared to the previous fiscal year ended January 31, 2019 ("FY2019"). The MD&A is intended to be an understandable and clear explanation and analysis of significant financial and operating activities and events. This MD&A is presented in accordance with Governmental Accounting Standards Board ("GASB") Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, and should be read in conjunction with the financial statements and accompanying notes.

BASIC FINANCIAL STATEMENTS OVERVIEW

In accordance with GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, the Statements of Net Position present the PFC's assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position as of the end of each fiscal year.

Assets are separated into current and noncurrent categories and are reported in the order of liquidity. Current assets include unrestricted cash and cash equivalents, accounts receivable and prepayments. Noncurrent assets include cash and cash equivalents, investments, and interest receivable that have been restricted by the Trust Indenture dated June 1, 2007, and as subsequently revised, effective June 30, 2016, securing Gas Supply Revenue Bonds, Series 2007 ("Indenture") to service debt. Noncurrent assets also include net costs recoverable from future participant billings, and the long-term portion of prepayments.

Currently, the PFC reports no deferred outflows of resources on its Statements of Net Position.

Consistent with the reporting of assets on the Statements of Net Position, liabilities are segregated into current and noncurrent categories. Current liabilities include the current maturities of revenue bonds, as well as accounts payable and accrued liabilities. Noncurrent liabilities include net long-term debt.

Currently, the PFC reports no deferred inflows of resources on its Statements of Net Position.

See accompanying Independent Auditors' report.

The Statements of Net Position report net position as the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources. The components of net position are classified as restricted or unrestricted, as applicable.

Within the Statements of Revenues, Expenses and Changes in Net Position, operating results are reported separately from nonoperating activities, which primarily relate to financing and investing. These statements identify revenue generated from natural gas operations to cover operating and nonoperating expenses. Operating expenses are presented by major cost categories.

The Statements of Cash Flows present cash flows from operating, noncapital financing and investing activities. These statements are prepared using the direct method, which reports cash receipts, along with payments, and presents a reconciliation of operating income to net cash provided by operating activities.

FINANCIAL HIGHLIGHTS AND SIGNIFICANT ACCOUNTING POLICIES

The City of San Antonio – The PFC is a public, nonprofit corporation organized by the City. In turn, the PFC is treated as a component unit of the City, which has a fiscal year that ends September 30.

Commodity Swap Agreement – In order to hedge against reductions in its natural gas sales revenues from changes in monthly market index prices, the PFC entered into an International Swaps and Derivatives Association ("ISDA") Master Agreement and related Schedule, Credit Support Annex and Confirmation (collectively referred to as "Commodity Swap Agreement") with the Royal Bank of Canada Europe Limited, the commodity swap counterparty, on June 14, 2007. For additional disclosures, see Note 8 – Commodity Swap.

Debt Issuance Costs – The PFC has historically reported debt issuance costs as an asset and amortized these costs over the life of the related debt. Under GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, debt issuance costs no longer meet the definition of an asset, nor do they meet the definition of a deferred outflow of resources; therefore, they must be expensed as incurred. The PFC, as a rate-regulated entity and in accordance with guidance found in GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, has reclassified unamortized debt issuance costs to net costs recoverable through future participant billings. This accounting treatment is consistent with the reclassification of all other activity on the Statements of Revenues, Expenses and Changes in Net Position until such costs are recoverable through future participant billings. Under the current rate structure, all costs are expected to be recovered over the 20-year term of the Natural Gas Supply Agreement.

Gas Project No. 1 – On June 21, 2007, the PFC issued tax-exempt revenue bonds in the amount of $644.3 million to finance the prepayment of a 20-year supply of natural gas under a Prepaid Natural Gas Sales Agreement ("Prepaid Gas Agreement") entered into on June 14, 2007, with J. Aron & Company ("J. Aron"), the gas supplier that is wholly owned by The Goldman Sachs Group, Inc.

Natural Gas Supply Agreement – On June 14, 2007, the PFC entered into a Natural Gas Supply Agreement with the City, acting by and through the City Public Service Board ("CPS Energy"), the project participant. This agreement provides for the sale to CPS Energy, on a pay-as-you-go basis, of all natural gas to be delivered to the PFC under the Prepaid Gas Agreement. The annual quantity of gas delivered equated to approximately 23.3% of the natural gas distribution requirements by CPS Energy for its gas utility system in FY2021. The contract price payable is based on a published monthly price index for natural gas less a discount per MMBtu. CPS Energy's net savings resulting from this transaction are passed on, in their entirety, to its distribution gas customers.

FINANCIAL POSITION

Statements of Net Position Summary

(Dollars in thousands)

	January 31,			Change			
	2021	2020	2019	2021 vs. 2020		2020 vs. 2019	
Assets							
Current assets	**$ 33,035**	$ 34,888	$ 34,358	$ (1,853)	-5.3%	$ 530	1.5%
Noncurrent assets							
Restricted assets	**23,165**	20,905	23,558	2,260	10.8%	(2,653)	-11.3%
Net costs recoverable from future participant billings	**47,728**	54,918	60,147	(7,190)	-13.1%	(5,229)	-8.7%
Prepaid gas supply	**106,175**	132,406	160,848	(26,231)	-19.8%	(28,442)	-17.7%
Total noncurrent assets	**177,068**	208,229	244,553	(31,161)	-15.0%	(36,324)	-14.9%
Total Assets	**$ 210,103**	$ 243,117	$ 278,911	$ (33,014)	-13.6%	$ (35,794)	-12.8%
Liabilities							
Current liabilities	**$ 42,583**	$ 37,251	$ 40,679	$ 5,332	14.3%	$ (3,428)	-8.4%
Long-term debt, net	**167,520**	205,866	238,232	(38,346)	-18.6%	(32,366)	-13.6%
Total Liabilities	**210,103**	243,117	278,911	(33,014)	-13.6%	(35,794)	-12.8%
Net Position	**—**	—	—	—	—%	—	—%
Total liabilities plus net position	**$ 210,103**	$ 243,117	$ 278,911	$ (33,014)	-13.6%	$ (35,794)	-12.8%

Assets

FY2021 – Total current assets consisted of cash and cash equivalents, accounts receivable, the prepaid gas supply and other prepayments. Current assets totaled $33.0 million at January 31, 2021, and $34.9 million at January 31, 2020. Total noncurrent assets were composed of restricted assets, including cash and cash equivalents, investments and interest receivable; net costs recoverable from future participant billings; and prepaid gas supply. Noncurrent assets totaled $177.1 million at January 31, 2021, compared to $208.2 million at January 31, 2020. The decrease of $31.2 million was primarily due to a decrease of $26.2 million in the prepaid gas supply.

FY2020 – Total current assets totaled $34.9 million at January 31, 2020, and $34.4 million at January 31, 2019. Noncurrent assets totaled $208.2 million at January 31, 2020, compared to $244.6 million at January 31, 2019. The decrease of $36.3 million was primarily due to a decrease of $28.4 million in the prepaid gas supply.

Liabilities (Excluding Debt)

FY2021 – Total current liabilities of $42.6 million at January 31, 2021, compared to $37.3 million at January 31, 2020. The $5.3 million increase was primarily due to an increase of $6.2 million in current maturities of revenue bonds.

FY2020 – Total current liabilities of $37.3 million at January 31, 2020, compared to $40.7 million at January 31, 2019. The $3.4 million decrease was primarily due to a decrease of $2.4 million in current maturities of revenue bonds.

RESULTS OF OPERATIONS

Summary of Revenues, Expenses and Changes in Net Position

(Dollars in thousands)

	Fiscal Year Ended January 31,			Change			
	2021	2020	2019	2021 vs. 2020		2020 vs. 2019	
Revenues and nonoperating income							
Gas operations	**$45,382**	$ 44,525	$ 46,979	$ 857	1.9 %	$ (2,454)	-5.2 %
Total operating revenues	**45,382**	44,525	46,979	857	1.9 %	(2,454)	-5.2 %
Nonoperating income	**(6,221)**	(4,189)	(3,678)	(2,032)	48.5 %	(511)	13.9 %
Total revenues and nonoperating income	**39,161**	40,336	43,301	(1,175)	-2.9 %	(2,965)	-6.8 %
Expenses							
Operating expenses							
Gas operations	**28,442**	27,905	29,443	537	1.9 %	(1,538)	-5.2 %
General and administrative	**156**	307	159	(151)	-49.2 %	148	93.1 %
Total operating expenses	**28,598**	28,212	29,602	386	-1.4 %	(1,390)	-4.7 %
Nonoperating expenses							
Interest and debt-related costs	**10,563**	12,124	13,699	(1,561)	-12.9 %	(1,575)	-11.5 %
Total nonoperating expenses	**10,563**	12,124	13,699	(1,561)	-12.9 %	(1,575)	-11.5 %
Total expenses	**39,161**	40,336	43,301	(1,175)	-2.9 %	(2,965)	-6.8 %
Income before other changes in net position	**—**	—	—	—	— %	—	— %
Other changes in net position	**—**	—	—	—	— %	—	— %
Net position - beginning	**—**	—	—	—	— %	—	— %
Net position - ending	**$ —**	$ —	$ —	$ —	— %	$ —	— %

Total Revenues and Nonoperating Income

FY2021 – Total revenues consisted of gas sales to CPS Energy, the project participant, and payments received from the commodity swap counterparty. Operating revenues totaled $45.4 million for FY2021, and $44.5 million for FY2020.

For FY2021, total nonoperating income was a loss of $6.2 million, compared to a loss of $4.2 million for FY2020. The decrease of $2.0 million was primarily due to a reduction in the net costs recoverable from future participant billings. The gas operations are reclassified from the Statements of Revenues, Expenses and Changes in Net Position to net costs recoverable from future participant billings on the Statements of Net Position until recovered through future participant billings.

FY2020 – Total operating revenues totaled $44.5 million for FY2020, and $47.0 million for FY2019.

For FY2020, total nonoperating income was a loss of $4.2 million, compared to a $3.7 million loss for FY2019. The decrease of $0.5 million was primarily due to a reduction in the net costs recoverable from future participant billings.

Operating and Nonoperating Expenses

FY2021 – For FY2021, operating expenses consisted of amortization of the prepaid gas supply and general and administrative expenses. Total operating expenses were $28.6 million for FY2021, and $28.2 million for FY2020.

Nonoperating expenses, which consisted of interest and debt-related costs, totaled $10.6 million for FY2021, compared to $12.1 million for FY2020. The decrease was due to the interest applicable to a lower outstanding debt balance after the $30.9 million principal payment on the 2007 Gas Supply Revenue Bonds in FY2021.

FY2020 – Total operating expenses were $28.2 million for FY2020, and $29.6 million for FY2019.

Nonoperating expenses totaled $12.1 million for FY2020, compared to $13.7 million for FY2019. The decrease was due to the interest applicable to a lower outstanding debt balance after the $33.2 million principal payment on the 2007 Gas Supply Revenue Bonds in FY2020.

FINANCING AND DEBT COVENANTS COMPLIANCE

Long-Term Debt

FY2021 – ***Issuance*** – There were no new debt issuances in FY2021.

FY2020 – ***Issuance*** – There were no new debt issuances in FY2020.

Compliance

With respect to the Gas Supply Revenue Bonds, Series 2007 outstanding at January 31, 2021 and 2020, the net revenues of Gas Project No. 1 are pledged to the payment of principal and interest.

Summary of Debt Rollforward Activity*

(In thousands)

FY2021			
Balance Outstanding February 1, 2020	Additions During Year	Decreases During Year	**Balance Outstanding January 31, 2021**
$ 231,310	$ —	$ (30,855)	**$ 200,455**

FY2020			
Balance Outstanding February 1, 2019	Additions During Year	Decreases During Year	Balance Outstanding January 31, 2020
$ 264,525	$ —	$ (33,215)	$ 231,310

*Excludes premium.

The primary objectives of the PFC's investment strategy are to protect principal and maintain liquidity. The types of investments used in fiscal years 2021, 2020 and 2019— a guaranteed investment contract ("GIC") and money market instruments—minimized exposure to investment losses that could have unfavorably affected principal values and/or liquidity. The restricted investments of the GIC are separately reported by the PFC at cost.

In support of the debt service process, the PFC has a GIC with J. Aron and guaranteed by The Goldman Sachs Group, Inc. See Note 2 – Cash, Cash Equivalents and Investments for additional information on The Goldman Sachs Group.

Summary of PFC's Bond Ratings

At January 31, 2021

Agency	Rating
Fitch Ratings	A
Moody's Investors Service, Inc.	A2
S&P Global Ratings	BBB+

See Note 10 – Subsequent Event for further discussion related to the credit rating outlook of the PFC.

As of January 31, 2021 and 2020, the PFC was in compliance with the terms and provisions set forth in the Indenture.

CURRENTLY KNOWN FACTS

Legislation and Regulations – The Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank Act") was signed into law on July 21, 2010. Title VII of the Dodd-Frank Act, known as the "Wall Street Transparency and Accountability Act of 2010," substantially modified portions of the Commodity Exchange Act with respect to swap transactions. The law was designed to reduce risk, establish new business conduct rules, increase transparency and promote market integrity within the financial system. The Dodd-Frank Act gave the Commodity Futures Trading Commission ("CFTC") and the Securities and Exchange Commission ("SEC") statutory authority to regulate the over-the-counter derivatives market. The PFC is subject to some of the CFTC and SEC rules, including swap transaction reporting and recordkeeping, in addition to other administrative rules and regulations, such as the Independent Registered Municipal Advisor rule that impacts capital market participants. As an "end-user," the PFC is currently exempt from clearing and margining its positions.

COVID-19 – Worldwide, national and local community transmission of novel coronavirus, COVID-19, during the year has resulted in economic uncertainties at the national, state and local level, as well as volatility in investment markets. While the market volatility and downturn corrected itself by the end of the year, there is still uncertainty in the market. Prolonged market downturn could further affect the credit ratings of the PFC's counterparties and potentially their ability to support the obligations of the PFC.

Winter Storm Event – Subsequent to year end, a winter storm swept through the continental United States that severely affected the Texas electrical grid. As a result, the operations and systems of CPS Energy, the project participant, were significantly disrupted. In addition, Texas utilities, including the project participant, were faced with unprecedented financial costs associated with the effects of the storm on gas prices and prices of purchased power. The winter storm had no impact on J. Aron, the gas supplier and the PFC does not expect any disruptions to the supply of natural gas per the terms of the Prepaid Gas Agreement. No direct impact to the PFC is anticipated, and the project participant anticipates sufficient liquidity to accommodate worst case financial scenarios resulting from the event.

REQUESTS FOR INFORMATION

For more information about SA Energy Acquisition Public Facility Corporation, contact Shannon R. Albert, CPS Energy Vice President of Accounting, through any of the following options: 210-353-3818; sralbert@cpsenergy.com; or P.O. Box 1771, San Antonio, Texas 78296-1771.

DRAFT

INDEPENDENT AUDITORS' REPORT

The Board of Directors
SA Energy Acquisition Public Facility Corporation
San Antonio, Texas

We have audited the accompanying 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, 2021 and 2020, and the related notes to the financial statements, which collectively comprise PFC's basic financial statements as listed in the table of contents. We also have audited PFC's internal control over financial reporting as of January 31, 2021, based on criteria established in the *Internal Control-Integrated Framework* (2013), issued by the Committee of Sponsoring Organizations of the Treadway Commissions (COSO).

Management's Responsibility for the Financial Statements and Internal Control Over Financial Reporting

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of effective internal control over financial reporting relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error. Management is also responsible for its assessment about the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control Over Financial Reporting.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements and an opinion on PFC's internal control over financial reporting based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement and whether effective internal control over financial reporting was maintained in all material respects.

An audit of financial statements involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the PFC's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit of financial statements also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

An audit of internal control over financial reporting involves performing procedures to obtain evidence about whether a material weakness exists. The procedures selected depends on the auditor's judgement, including the assessment of the risk that a material weakness exists. An audit of internal control over financial reporting also involves obtaining an understanding of internal control over financial reporting and testing and evaluating the design and operating effectiveness of internal control over financial reporting based on the assessed risk.

We believe that the audit evidence we obtained is sufficient and appropriate to provide a basis for our audit opinions.

Definition and Inherent Limitations of Internal Control Over Financial Reporting

An entity's internal control over financial reporting is a process effected by those charged with governance, management, and other personnel, designed to provide reasonable assurance regarding the preparation of reliable financial statement in accordance with accounting principles generally accepted in the United States of America. An entity's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the entity; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America, and that receipts and expenditures of the entity are being made only in accordance with authorizations of management and those charges with governance; and (3) provide reasonable assurance regarding prevention, or timely detection and correction of unauthorized acquisition, use, or disposition of the entity's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent, or detect and correct, misstatements. Also, projections of any assessment of effectiveness of future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of PFC as of January 31, 2021 and 2020, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America. Also, in our opinion, PFC maintained, in all material respects, effective internal control over financial reporting as of January 31, 2021, based on criteria established in *Internal Control-Integrated Framework* (2013), issued by the COSO.

Other Matter

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information as listed in the table of contents be presented to supplement the basic financial statements. Such information, 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.

Austin, Texas
July 26, 2021

SA ENERGY ACQUISITION PUBLIC FACILITY CORPORATION

STATEMENTS OF NET POSITION

	January 31,	
	2021	2020
Assets	(In thousands)	
Current assets		
Cash and cash equivalents	**$ 1,808**	$ 1,677
Accounts receivable	**4,951**	4,729
Prepaid gas supply	**26,231**	28,442
Prepayments	**45**	40
Total current assets	**33,035**	34,888
Noncurrent assets		
Restricted		
Cash and cash equivalents	**13,012**	12,104
Investments	**10,067**	8,725
Interest receivable	**86**	76
Net costs recoverable from future participant billings	**47,728**	54,918
Prepaid gas supply	**106,175**	132,406
Total noncurrent assets	**177,068**	208,229
Total assets	**$ 210,103**	$ 243,117
Liabilities		
Current liabilities		
Current maturities of revenue bonds	**$ 37,035**	$ 30,855
Accounts payable and accrued liabilities	**5,548**	6,396
Total current liabilities	**42,583**	37,251
Noncurrent liabilities		
Long-term debt, net	**167,520**	205,866
Total noncurrent liabilities	**167,520**	205,866
Total liabilities	**210,103**	243,117
Net Position	**—**	—
Total liabilities plus net position	**$ 210,103**	$ 243,117

See accompanying Notes to Basic Financial Statements.

SA ENERGY ACQUISITION
PUBLIC FACILITY CORPORATION

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	Fiscal Year Ended January 31,	
	2021	2020
	(In thousands)	
Operating revenues		
Gas operations	**$ 45,382**	$ 44,525
Total operating revenue	**45,382**	44,525
Operating expenses		
Gas operations	**28,442**	27,905
General and administrative	**156**	307
Total operating expenses	**28,598**	28,212
Operating income	**16,784**	16,313
Nonoperating income (expense)		
Interest income	**969**	1,040
Interest expense	**(11,874)**	(13,635)
Amortization of net premium	**1,311**	1,511
Net costs recoverable from future participant billings	**(7,190)**	(5,229)
Total nonoperating income (expense)	**(16,784)**	(16,313)
Income before other changes in net position	**—**	—
Other changes in net position	**—**	—
Net position - beginning	**—**	—
Net position - ending	**$ —**	$ —

See accompanying Notes to Basic Financial Statements.

SA ENERGY ACQUISITION PUBLIC FACILITY CORPORATION

STATEMENTS OF CASH FLOWS

	Fiscal Year Ended January 31,	
	2021	2020
	(In thousands)	
Cash flows from operating activities		
Cash received from customers	**$ 45,157**	$ 44,348
Cash payments to suppliers for goods and services	**(160)**	(465)
Net cash provided (used) by operating activities	**44,997**	43,883
Cash flows from noncapital financing activities		
Principal payments on revenue bonds	**(30,855)**	(33,215)
Interest paid	**(12,723)**	(14,549)
Net cash provided (used) by noncapital financing activities	**(43,578)**	(47,764)
Cash flows from investing activities		
Sales of investments	**8,725**	10,067
Purchases of investments	**(10,067)**	(9,945)
Interest and other income	**962**	1,051
Net cash provided (used) by investing activities	**(380)**	1,173
Net increase (decrease) in cash and cash equivalents	**1,039**	(2,708)
Cash and cash equivalents at beginning of period	**13,781**	16,489
Cash and cash equivalents at end of period	**$ 14,820**	$ 13,781
Reconciliation of operating income to net cash provided by operating activities		
Cash flows from operating activities		
Operating income	**$ 16,784**	$ 16,313
Noncash items included		
Prepaid gas amortization	**28,442**	27,905
Changes in current assets and liabilities		
(Increase) decrease in accounts receivable	**(225)**	(177)
Increase (decrease) in accounts payable	**1**	(154)
(Increase) decrease in prepayments	**(5)**	(4)
Net cash provided (used) by operating activities	**$ 44,997**	$ 43,883

See accompanying Notes to Basic Financial Statements.

NOTES TO BASIC FINANCIAL STATEMENTS
January 31, 2021 and 2020

1. Summary of Significant Accounting Policies

Reporting Entity – The SA Energy Acquisition Public Facility Corporation ("PFC") is a public, nonprofit corporation organized under the laws of the State of Texas pursuant to the Texas Public Facility Corporation Act, Chapter 303, Texas Local Government Code. The PFC was organized on April 24, 2007, to assist its Sponsor, the City of San Antonio, Texas, ("City") in financing, refinancing or providing public facilities, including natural gas, to be devoted to public use. As an integral part of the City, the PFC is exempt from the payment of income taxes, state franchise taxes, use taxes, and real and personal property taxes. In accordance with Governmental Accounting Standards Board ("GASB") Statement No. 14, *The Financial Reporting Entity*, the PFC is treated as a component unit of the City and its financial results will be included within the comprehensive annual financial report of the City.

Fiscal Year – The fiscal years ended January 31, 2021, and January 31, 2020, are referred to herein as FY2021 and FY2020, respectively.

Basis of Accounting – The PFC maintains its accounts on the accrual basis in accordance with U.S. generally accepted accounting principles ("GAAP") applicable to proprietary funds and other governmental entities that use proprietary fund accounting and complies with all applicable pronouncements of GASB. The financial statements are presented using the economic resources measurement focus and the accrual basis of accounting.

FY2020 GASB pronouncement implementation:

- GASB Statement No. 84, *Fiduciary Activities*, establishes criteria for identifying fiduciary activities of all state and local governments for accounting and financial reporting purposes and how those activities should be reported. There was no impact to the PFC's financial statements from implementation of this guidance.

FY2021 GASB pronouncement implementation:

- GASB Statement No. 90, *Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61,* improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and improves the relevance of financial statement information for certain component units. However, because the PFC does not have a majority equity interest in an organization, there was no impact on the PFC's financial statements.

- GASB Statement No. 92, *Omnibus 2020*, addresses a variety of topics and practice issues that have been identified during implementation and application of certain GASB Statements. The new statement includes issues related to leases, intra-entity transfers, pension and postemployment benefits, asset retirement obligations, risk pools, fair value measurements, and derivative instruments. This Statement did not have an impact on the PFC's financial reporting.

- GASB Statement No. 93, *Replacement of Interbank Offered Rates,* establishes accounting and financial reporting requirements related to the replacement of interbank offered rates such as the London Interbank Offered Rate which is expected to cease to exist in its current form at the end of calendar year 2021. This statement will provide exceptions to the existing provisions for hedge accounting termination and lease modifications. There was no impact to the PFC's financial statements from implementation of this guidance.

- GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance,* provides temporary relief to governments and other stakeholders in light of the COVID-19 pandemic by postponing the effective dates of certain provisions in Statements and Implementation Guides by one year or 18 months, depending on the Statement. This Statement became effective when issued in May 2020 and was immediately implemented by the PFC in FY2021.

- GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans–An Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement No. 32,* requires that a Section 457 plan be classified as either a pension plan or an other employee benefit plan depending on whether the plan meets the definition of a pension plan and amends certain guidance included in GASB Statements No. 14, The Financial Reporting Entity, and No. 84, Fiduciary Activities. This Statement did not have an impact on the PFC's financial reporting.

Future GASB pronouncement implementation:

- GASB Statement No. 87, *Leases*, requires the recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The standard establishes a single model for lease accounting based on the foundational principle that leases are financings of the right-to-use an underlying asset. Under the Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, which enhances the relevance and consistency of information about the Company’s leasing activities. However, there will be no impact to the PFC’s financial statements from implementation of this guidance.

- GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. There will be no impact to the PFC’s financial statements from implementation of this guidance.

- GASB Statement No. 91, *Conduit Debt Obligations*, provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice for commitments extended by issuers and other arrangements with conduit debt obligations. The standard also clarifies the existing definition of conduit debt obligations and improves required note disclosures. This Statement is not expected to have an impact on the PFC’s financial reporting.

- GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements,* improves financial reporting addressing issues related to public-private and public-public partnerships (commonly referred to as P3s) and availability payment arrangements. This Statement is not expected to have an impact on the PFC’s financial reporting.

- GASB Statement No. 96, *Subscription-Based Information Technology Arrangements ("SBITA"),* requires the recognition of SBITAs as an intangible right-to-use subscription asset with a corresponding subscription liability. Under this Statement, a lessee is required to recognize a SBITA lease liability and an intangible right-to-use SBITA lease asset, and a lessor is required to recognize a lease SBITA receivable and a deferred inflow of resources. This Statement is not expected to have an impact on the PFC’s financial reporting.

The following information is presented alphabetically:

Amortization – The prepaid gas supply is being amortized over the term of the Prepaid Natural Gas Sales Agreement ("Prepaid Gas Agreement") based on a per-unit cost of total contracted gas volumes. Bond premium is being amortized utilizing the redemption price method, which approximates the effective interest method, over the life of the bonds.

Cash Equivalents and Investments, Unrestricted and Restricted – In accordance with the PFC's Financial Authorization and Approvals Policy for Banking and Investing ("Investment Policy"), the majority of funds are invested in a nonparticipating guaranteed investment contract ("GIC"). These investments are used to service the debt in accordance with the Trust Indenture dated as of June 1, 2007, and as subsequently revised, effective June 30, 2016, securing Gas Supply and Revenue Bonds, Series 2007 ("Indenture") and are therefore classified as restricted on the Statements of Net Position. Deposits invested in the GIC are withdrawn for debt service payments in accordance with the Investment Agreement and the Master Repurchase Agreement. GIC investments are classified as cash equivalents if the time from deposit of those funds to the time to withdrawal is 90 days or less. Investments in nonparticipating GICs are reported at cost as required by GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*.

Investments not related to the debt service are limited by the Investment Policy to a maximum maturity of one year or less to ensure adequate operating liquidity in the event early liquidation is required for cash flow purposes. These investments are reported at amortized cost, which approximates fair value, with amortization of premium and accretion of discount recorded over the terms of the investments.

See Note 2 – Cash, Cash Equivalents and Investments for additional disclosures that have been provided in accordance with GASB Statement No. 40, *Deposit and Investment Risk Disclosures*. These disclosures address investment exposure to interest rate risk, credit risk (including concentration of credit risk and custodial credit risk), and foreign currency risk.

Commodity Swap – The PFC uses a commodity swap to hedge its price risk associated with natural gas supply transactions. Swap receipts are recorded as operating revenues and swap payments are recorded as operating expenses in the period that the related gas supply is delivered. Swap receipts and payments are classified as operating activities in the Statements of Cash Flows. For additional disclosures, see Note 8 – Commodity Swap.

Debt Issuance Costs – Beginning in FY2014, with the implementation of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, the PFC adopted the use of regulatory accounting to account for debt issuance costs. Prior to FY2014, the PFC had historically reported debt issuance costs as assets and amortized them over the life of the related debt. Under GASB Statement No. 65, debt issuance costs no longer meet the definition of an asset, nor do they meet the definition of a deferred outflow of resources; therefore, they must be expensed in the period incurred. The PFC, as a rate-regulated entity and in accordance with guidance found in GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements,* received approval from the San Antonio City Council in FY2014 to establish a regulatory asset for the debt issuance costs that would otherwise have been expensed upon implementation of GASB Statement No. 65. This regulatory accounting treatment results in the amortization of these costs to be recovered over the 20-year term of the Natural Gas Supply Agreement.

Employees – The PFC does not have any employees. Administrative and other services, which are provided by the project participant under the Management Agreement, represented 0.03% and 0.07% of total revenues for both FY2021 and FY2020, respectively.

Long-Term Debt – To fund the 20-year natural gas prepayment transaction, the PFC issued Gas Supply Revenue Bonds, Series 2007 ("Bonds"). Provisions are included that allow for refunding after specified time periods during the term of the Bonds. The Bonds are subject to redemption at the option of the PFC in whole or in part, on any date, at a redemption price equal to the greater of (a) the amortized value plus accrued and unpaid interest to the date of redemption, or (b) the sum of the present values of the remaining unpaid payments of principal and interest, discounted to the date of redemption on a semiannual basis. In the event of early termination of the Prepaid Gas Agreement, the Bonds are subject to extraordinary mandatory redemption in whole, at the amortized value plus accrued and unpaid interest to the date of redemption. The PFC also has the option to defease or extinguish debt with cash. For additional disclosures, see Note 6 – Revenue Bond Trust Indenture Requirements and Note 7 – Long-Term Debt.

Net Costs Recoverable from Future Participant Billings – Billings to the Gas Project No. 1 project participant, CPS Energy, are designed to provide, over the life of the project, full recovery of costs as defined by the Indenture and project contracts, and as prescribed by the Board of Directors. Rates are structured to systematically provide for the current debt service requirements, operating costs and reserves. The net costs to be recovered from future participant billings consist primarily of timing differences related to the debt service requirements included in rates. In accordance with GASB Statement No. 62, certain income and expense amounts which would be recognized during the current time period are carried on the Statements of Net Position and not included in the determination of income until such costs are recoverable through participant billings. Under the current rate structure, costs are expected to be recovered over the 20-year term of the Natural Gas Supply Agreement.

Prepaid Gas Supply – A gas supply to be received at specified volumes per day, covering a 20-year period, has been prepaid. The prepayment will expire in 2027. See Note 5 – Prepaid Gas Supply for additional disclosures.

Reclassifications – Certain amounts in the prior year's financial statements have been reclassified to conform to the current-year presentation.

Revenues and Expenses – Revenues are recorded when earned. Operating revenues include receipts from both natural gas sales and a swap agreement. Operating expenses are recorded as incurred and include amortization of the prepaid gas supply, swap payments, and general and administrative expenses.

Nonoperating income consists of interest income from investments and net costs recoverable from future participant billings, which represent timing differences related to the debt service requirements included in rates. See Note 4 – Net Costs Recoverable from Future Participant Billings. Nonoperating expenses consist of interest and debt-related costs.

Use of Estimates – The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions. Those estimates and assumptions affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the amounts of revenues and expenses reported during the fiscal periods. Accordingly, actual results could differ from those estimates.

2. Cash, Cash Equivalents and Investments

The PFC's cash deposits at January 31, 2021 and 2020, were entirely insured by federal depository insurance or collateralized by the Trustee, The Bank of New York Mellon Trust Company, N.A., in accordance with the Texas Public Funds Collateral Act and the Indenture.

Authorized Investments – PFC funds are invested in accordance with the Indenture, the Public Funds Investment Act ("PFIA"), the Investment Policy and agreements relating to the issuance of any of the PFC's bonds. The PFIA regulates what types of investments can be made, requires written investment policies, mandates training requirements of investment officers, and requires internal management reports to be produced at least quarterly.

Authorized investments for PFC funds, in accordance with the Investment Policy, include U.S. Government, Government Agency or Government-guaranteed obligations; municipals; insured CDs; collateralized repurchase agreements; commercial paper; money market mutual funds and GICs. Money market mutual fund investments are accounted for using amortized cost. In accordance with GASB Statement No. 31, since the GIC is a nonparticipating contract, it is reported at cost.

Summary of Cash, Cash Equivalents and Investments
(In thousands)

	January 31,	
	2021	2020
Unrestricted		
Cash and cash equivalents	**$ 1,808**	$ 1,677
Total unrestricted (current)	**1,808**	1,677
Restricted		
Cash and cash equivalents	**13,012**	12,104
Investments	**10,067**	8,725
Total restricted (noncurrent)	**23,079**	20,829
Total cash, cash equivalents and investments (unrestricted and restricted)	**$ 24,887**	$ 22,506

Investment Emphasis and Strategy – The primary emphasis for investment of PFC funds is on maintaining principal and liquidity, with a secondary emphasis on earning investment income at market rates. The majority of the PFC's funds are invested in a GIC, with a maximum maturity of one year from the date funds are contributed to the GIC. The strategy for investment of the PFC's debt service funds is to ensure timely deposit of all such funds with the GIC issuer. Other available funds beyond debt service will be held in authorized investments to earn market yields, with the primary emphasis on safety and liquidity for operational requirements. Investment of funds not related to debt service will have a maximum maturity of one year or less to ensure adequate operating liquidity in the event early liquidation is required for cash flow purposes. Market values of investments will be attained from sources deemed reliable by industry standards.

Cash, Cash Equivalents and Investments by Fund
(In thousands)

	January 31, 2021	January 31, 2020
Unrestricted		
Cash and cash equivalents	**$ 1,808**	$ 1,677
Total unrestricted (current)	**1,808**	1,677
Restricted		
Debt service fund		
Cash and cash equivalents	**4,951**	4,726
Total debt service fund	**4,951**	4,726
Guaranteed investment contract		
Cash and cash equivalents	**8,061**	7,378
Investments	**10,067**	8,725
Total guaranteed investment contract	**18,128**	16,103
Total restricted		
Cash and cash equivalents	**13,012**	12,104
Investments	**10,067**	8,725
Total restricted (noncurrent)	**23,079**	20,829
Total cash, cash equivalents and investments (unrestricted and restricted)	**$ 24,887**	$ 22,506

Risk Exposure – In accordance with GASB Statement No. 40, the following disclosures address investment exposure to interest rate risk, credit risk (including concentration of credit risk and custodial credit risk), and foreign currency risk.

Interest Rate Risk is the exposure to fair value losses resulting from changes in interest rates. The PFC's Investment Policy does not specifically address interest rate risk. The PFC's exposure to this risk is minimized by its choice of investments—the GIC and a governmental money market fund.

Concentration of Credit Risk is the risk of loss attributable to the magnitude of investment in a single issuer. In accordance with the PFC's Investment Policy, with the exception of GICs, the PFC owns no greater than 5% of the outstanding bonds issued for any one CUSIP or money market mutual fund at January 31, 2021 and 2020.

Investments by Type
(In thousands)

Investment Type	Carrying Value January 31, 2021	Carrying Value January 31, 2020
Guaranteed investment contract (GIC)	**$ 18,128**	$ 16,103
Money market mutual fund	**6,759**	6,403
Total investments	**$ 24,887**	$ 22,506

Credit Risk is the risk that an issuer will not fulfill its obligations (will be unable to make timely principal and interest payments). Exposure to credit risk is managed by requiring investments to be rated at least

"AA-" or better. The only exception to this requirement is that the Investment Agreement and the PSA Master Repurchase Agreement allow for a downgrade in the credit rating of a GIC issuer.

The Amended and Restated Investment Agreement dated June 30, 2016, contains provisions for a downgrade in the credit rating on the GIC provider. If the credit rating on the higher of J. Aron and its guarantor, The Goldman Sachs Group, Inc., falls below "BB+" by S&P Global Ratings ("S&P"), or "Ba1" by Moody's Investors Service ("Moody's"), which results in a ratings event, J. Aron is required to provide collateral equal to 100% of the invested balance held by J. Aron plus any accrued interest. At January 31, 2021, no collateral balances were posted.

The table below summarizes the long-term debt obligations credit rating changes for The Goldman Sachs Group, Inc. from 2007 through January 31, 2021:

The Goldman Sachs Group, Inc.								
S&P Global Ratings			**Moody's**			**Fitch**		
Rating	Watch/ Outlook	Date	Rating	Watch/ Outlook	Date	Rating	Watch/ Outlook	Date
BBB+	Stable	December 2015	A2	Stable	January 2021	A	*-	May 2020
A-	*-	November 2015	A3	Stable	May 2015	A	Stable	December 2011
A-	Stable	November 2011	Baa1	*+	March 2015	A+	*-	October 2011
A	Stable	December 2008	Baa1	Stable	November 2013	A+	Stable	January 2009
AA-	Stable	June 2007	A3	*-	August 2013	AA-	Stable	June 2007
			A3	Stable	June 2012			
			A1	*-	February 2012			
			A1	Stable	December 2008			
			Aa3	Stable	June 2007			

"*-" indicates firm is on Negative Watch

"*+" indicates firm is on Positive Watch

See Note 10 – Subsequent Event for further discussion related to the credit rating outlook of The Goldman Sachs Group, Inc.

The following table provides information on the credit ratings associated with the PFC's investments as of January 31, 2021 and 2020:

Investments by Credit Rating
(Dollars in thousands)

	January 31, 2021		January 31, 2020	
Credit Rating	**Carrying Value**	Allocation	Carrying Value	Allocation
AAA	$ **6,759**	27.2 %	$ 6,403	28.5 %
BBB+ (GIC)	**18,128**	72.8 %	16,103	71.5 %
Total investments	$ **24,887**	100.0 %	$ 22,506	100.0 %

Custodial Credit Risk is the risk that an entity will not be able to recover losses associated with the failure of an instrument holder. Investment securities are exposed to custodial credit risk if the securities in the possession of an outside party are not registered in the name of the PFC and are held by either the counterparty or the counterparty's trust department or agent, but not in the PFC's name. The PFC's Investment Policy does not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The deposit of funds shall be either i) continuously or fully insured by the Federal Deposit Insurance Corporation ("FDIC"), or ii) continuously and fully secured, to the extent not insured by the FDIC, by lodging with the Trustee or the PFC, as custodian, as collateral security, investments having a market value not less than the amount of such moneys (or portion thereof not insured by the FDIC). At January 31, 2021 and 2020, none of the PFC's investments were subject to custodial credit risk.

Foreign Currency Risk relates to adverse effects on the fair value of an investment from changes in exchange rates. The PFC did not hold any foreign investments at January 31, 2021 or 2020.

Counterparty Risk is the risk that a counterparty will fail to meet its obligations in accordance with the terms and conditions of its agreement with the PFC. The PFC has reporting policies and procedures in place to ensure the solvency of counterparties is assessed accurately, monitored regularly and managed actively.

3. Disaggregation of Current Receivables and Payables

Receivables – As of January 31, 2021, accounts receivable of $5.0 million included $1.2 million for billed natural gas sales and $3.8 million due from the commodity swap counterparty. Accounts receivable as of January 31, 2020, of $4.7 million included $0.2 million for billed natural gas sales and $4.5 million due from the commodity swap counterparty.

Payables – Accounts payable and accrued liabilities at January 31, 2021, totaled $5.5 million and consisted primarily of $5.5 million in interest payable. At January 31, 2020, accounts payable and accrued liabilities totaled $6.4 million and consisted primarily of $6.4 million in interest payable.

4. Net Costs Recoverable from Future Participant Billings

Billings to the Gas Project No. 1 project participant are designed to provide, over the life of the project, full recovery of costs as defined by the Indenture and project contracts, and as prescribed by the Board of Directors. Rates are structured to systematically provide for the current debt service requirements, operating costs and reserves. The net costs to be recovered from future participant billings consist primarily of timing differences related to the debt service requirements included in rates. In accordance with GASB Statement No. 62, certain income and expense amounts which would be recognized during the current time period are carried on the Statements of Net Position and not included in the determination of income until such costs are recoverable through participant billings. Under the current rate structure, costs are expected to be recovered over the 20-year term of the Natural Gas Supply Agreement. As of January 31, 2021 and 2020, the cumulative balance in the net costs recoverable account on the Statements of Net Position was $47.7 million and $54.9 million, respectively.

5. Prepaid Gas Supply

On June 14, 2007, the PFC entered into a Prepaid Gas Agreement with J. Aron, the gas supplier that is wholly owned by The Goldman Sachs Group, Inc., the initial transaction's senior underwriter. Under this agreement, the PFC prepaid the cost of acquisition of a specified supply of natural gas to be delivered over 20 years. The gas supplier is obligated to deliver specified daily quantities of natural gas to the PFC, to make certain payments for any gas not delivered, to remarket or purchase gas not taken, and to make a termination payment upon any early termination of the Prepaid Gas Agreement.

On February 25, 2013, the PFC executed certain amendments to the Prepaid Gas Agreement entered into with J. Aron in 2007 and other related documents with respect to the 2007 prepayment transaction with J. Aron. Under the resolution and the amendments, Goldman, Sachs & Co. surrendered for cancellation $111.1 million of the SA Energy Acquisition Public Facility Corporation Gas Supply Revenue Bonds, Series 2007 owned by J. Aron; Goldman, Sachs & Co.; or affiliates. In exchange, the PFC agreed to reduce future required natural gas delivery volumes from 104.6 million MMBtu to 81.3 million MMBtu and to adjust the notional amount of its commodities price hedge so that hedged revenue from gas sales will bear at least the same proportion to annual debt service requirements as before the transaction. In conjunction with the transaction, a portion of the savings related to the purchase of natural gas from the PFC that would have been passed on to CPS Energy's distribution gas customers over the 20-year life of the original agreement was accelerated. Those customers benefited from the accelerated savings beginning March 1, 2013, through June 30, 2015.

6. Revenue Bond Trust Indenture Requirements

The Bonds are secured under the Indenture solely by a pledge of and lien on the "Trust Estate," which includes:

- The proceeds of the sale of the Bonds.
- All right, title and interest of the PFC in, to and under the:
  - Natural Gas Supply Agreement (subject to the subrogation rights of the surety provider);
  - PFC commodity swap;
  - Surety bonds;
  - GIC and any guarantee and proceeds thereof; and
  - Trustee in, to and under the Collateral Agency Agreement.
- The Gas Project No. 1 revenues and amounts received under the surety bonds.
- Any termination payment and the right to receive such termination payment.

As of January 31, 2021 and 2020, the Indenture contained among others, the following provisions pertaining to the flow of funds:

Operating Fund: The amount, if any, required so that the operating fund shall equal the amount estimated to be necessary for commodity swap payments and other operating expenses coming due and not otherwise paid by the project participant;

Debt Service Account: An amount equal to the scheduled debt service deposit for such month;

Working Capital Fund: The amount, if any, required so that the balance is at least equal to the minimum working capital amount or to reimburse the surety provider for previously unreimbursed amounts drawn under the working capital surety bond;

Debt Service Reserve Account: The amount equal to the debt service reserve requirement, or for reimbursement of the surety provider for previously unreimbursed amounts drawn under the debt service reserve surety bond; and

General Fund: Following each annual principal installment payment date, after making such transfers, credits and deposits as described above, the Trustee shall credit to the general fund the remaining balance in the revenue fund.

7. Long-Term Debt

On June 21, 2007, the PFC issued $644.3 million of tax-exempt Gas Supply Revenue Bonds, Series 2007. The true interest cost of these bonds is 4.7%. Proceeds from the Bonds, including a premium of $42.1 million, were used to fund a $681.8 million, 20-year natural gas prepayment transaction for 146.2 million MMBtu supplied by J. Aron.

On February 25, 2013, under the resolution and the amendments, Goldman, Sachs & Co. surrendered for cancellation $111.1 million of the PFC Bonds owned by J. Aron; Goldman, Sachs & Co.; or affiliates. In exchange, the PFC agreed to reduce future required natural gas delivery volumes from 104.6 million MMBtu to 81.3 million MMBtu and to adjust the notional amount of its commodities price hedge so that hedged revenue from gas sales will bear at least the same proportion to annual debt service requirements as before the transaction.

Gas Supply Revenue Bonds
(Dollars in thousands)

Issues / Maturities	Weighted-Average Yield on Outstanding Bonds at January 31, 2021	January 31, **2021**	January 31, 2020
Tax-exempt new series bonds 2007, 2017–2027	4.7%	**$ 200,455**	$ 231,310
Total revenue bonds outstanding		**200,455**	231,310
Less: Current maturities of bonds		**37,035**	30,855
Total revenue bonds outstanding, net of current maturities		**$ 163,420**	$ 200,455

As of January 31, 2021, including current maturities, principal and interest amounts due for the Bonds for each of the next five years and thereafter are:

(In thousands)

Bond Year Ending August 1	Principal	Interest	Total
2021	$ 37,035	$ 10,007	$ 47,042
2022	29,495	8,177	37,672
2023	31,125	6,510	37,635
2024	13,565	5,281	18,846
2025	32,125	4,024	36,149
2026-2027	57,110	3,007	60,117
Totals	$ 200,455	$ 37,006	$ 237,461

The Bonds bear interest based upon the stated coupon rate of each maturity. Interest is payable on each February 1, and August 1, and is computed on the basis of a 360-day year of twelve 30-day months.

FY2021 Long-Term Debt Activity
(Dollars in thousands)

	Original Amount	Final Principal Payment	Interest Rate (%)	Balance Outstanding 2/1/2020	Additions During Year	Decreases During Year	**Balance Outstanding 1/31/2021**
Revenue bonds							
Gas Supply Series 2007	$644,260	2027	4.736 %	$ 231,310	$ —	$ (30,855)	**$ 200,455**
Bonds outstanding				231,310	—	(30,855)	**200,455**
Bond current maturities				(30,855)	(6,180)	—	**(37,035)**
Revenue bonds, net				200,455	(6,180)	(30,855)	**163,420**
Bond premium				5,411	—	(1,311)	**4,100**
Long-term debt, net				$ 205,866	$ (6,180)	$ (32,166)	**$ 167,520**

FY2020 Long-Term Debt Activity
(Dollars in thousands)

	Original Amount	Final Principal Payment	Interest Rate (%)	Balance Outstanding 2/1/2019	Additions During Year	Decreases During Year	**Balance Outstanding 1/31/2020**
Revenue bonds							
Gas Supply Series 2007	$644,260	2027	4.736 %	$ 264,525	$ —	$ (33,215)	**$ 231,310**
Bonds outstanding				264,525	—	(33,215)	**231,310**
Bond current maturities				(33,215)	—	2,360	**(30,855)**
Revenue bonds, net				231,310	—	(30,855)	**200,455**
Bond premium				6,922	—	(1,511)	**5,411**
Long-term debt, net				$ 238,232	$ —	$ (32,366)	**$ 205,866**

The Bonds are currently rated by Fitch, Moody's and S&P at "A," "A2" and "BBB+," respectively.

The PFC's bond agreement specifies certain events of default and provides that the Bonds must be redeemed in whole following any early termination under the Prepaid Gas Agreement. The conditions and events that may give rise to an early termination payment and its consequences are detailed in the PFC's publicly available Official Statement.

Counterparty Risk – The PFC is exposed to counterparty risk associated with various transactions, including those related to debt and swap contract. Counterparty risk is the risk that a counterparty will fail to meet its obligations in accordance with the terms and conditions of its agreement with the PFC. The PFC has reporting and procedures in place to ensure the solvency of counterparties is assessed accurately, monitored regularly and managed actively.

In accordance with GASB Statement No. 65, debt issuance costs no longer meet the definition of an asset, nor do they meet the definition of a deferred outflow of resources; therefore, they must be expensed as incurred. The PFC, as a rate-regulated entity and in accordance with guidance found in GASB Statement No. 62 has reclassified unamortized debt issuance costs to net costs recoverable from future participant billings for all periods presented. This accounting treatment is consistent with the reclassification of all other activity on the Statements of Revenues, Expenses and Changes in Net Position until such costs are recoverable through future participant billings. Under the current rate structure, all costs are expected to be recovered over the 20-year term of the Natural Gas Supply Agreement.

8. Commodity Swap

Objective – In order to hedge against reductions in its natural gas sales revenues from changes in monthly market index prices, the PFC entered into an International Swaps and Derivatives Association ("ISDA") Master Agreement and related Schedule, Credit Support Annex and Confirmation (collectively referred to as “Commodity Swap Agreement”) with the Royal Bank of Canada Europe Limited (“RBC”), the commodity swap counterparty, on June 14, 2007. Due to the termination provisions in the Agreement, the commodity swap does not meet the net settlement characteristic of derivatives as defined in GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. Thus, the swap has no fair value and therefore is not reported as a hedging derivative on the Statements of Net Position.

Significant Terms – 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 ($8.01 per MMBtu) for notional quantities of natural gas originally totaling 146.2 million MMBtu, corresponding to the original quantities of natural gas to be received under the Prepaid Gas Agreement. In February 2013, the PFC executed certain amendments to the Prepaid Natural Gas Sales Agreement and other related documents with respect to the 2007 prepayment transaction with J. Aron, including the Commodity Swap Agreement. Under the amended agreement, the remaining future notional quantities of natural gas were reduced from 104.6 million MMBtu to 81.3 million MMBtu in conjunction with the surrender for cancellation of $111.1 million of the SA Energy Acquisition Public Facility Corporation Gas Supply Revenue Bonds, Series 2007 owned by J. Aron; Goldman, Sachs & Co.; or affiliates.

For each month that the floating price is greater than the fixed price specified in the Prepaid Gas Agreement, the PFC is obligated to pay RBC an amount equal to the difference between the floating price and the fixed price multiplied by the monthly amount of the notional quantity of gas referenced above. If the fixed price is greater than the floating price for the month, RBC will be obligated to pay the PFC an amount equal to the difference between the fixed price and the floating price multiplied by the notional quantity of gas. If the floating price is equal to the fixed price, no payment will be owed by either party.

Swap payments received by the PFC are recorded as operating revenue; swap payments payable by the PFC are recorded as operating expenses. Payments received from RBC amounted to $42.3 million and $43.9 million in FY2021 and FY2020, respectively. No payments were made to RBC in either FY2021 or FY2020.

J. Aron, a New York general partnership wholly owned by GSG is the gas supplier for the prepaid gas transaction and has entered into a mirror fixed-to-floating commodity swap agreement also with RBC. The notional natural gas quantities and floating prices under the J. Aron commodity swap match those under the PFC’s Commodity Swap Agreement. J. Aron’s payment obligations to RBC are guaranteed by GSG.

Risk Exposure

Credit Risk – The commodity swap terminates at par in the event of termination of the Prepaid Gas Agreement, in the event of the PFC’s or RBC’s nonperformance, and in connection with other specified events. Generally, the only amounts due upon termination of the swap would be previously accrued but unpaid amounts. Additionally, the Indenture provides for the right to terminate the swap in the event of any reduction in the senior unsecured credit rating of RBC to below “A2” by Moody’s, below “A” by S&P, or any suspension of the ratings by either rating agency if RBC does not provide additional adequate assurances of performance. At January 31, 2021 and 2020, the S&P rating of RBC's parent company, Royal Bank of Canada, was "AA-" and the Moody's rating was "Aa2."

Termination Risk – The Commodity Swap Agreement is subject to early termination under some circumstances; however, no settlement or other termination payment (other than previously accrued but unpaid amounts) would be due to any party as a result of any early termination. Termination of either of the commodity swaps without replacement by the PFC or J. Aron may result in termination of the Prepaid Gas Agreement and early redemption of the Bonds. If either swap is anticipated to be terminated for a reason other than insolvency, the PFC or J. Aron each has agreed to cooperate to terminate the other commodity swap and to replace both swaps, but neither is required to expend funds to do so.

The PFC has agreed that it will not exercise any right to declare an early termination date under the commodity swap unless it has either entered into a replacement commodity swap or the Prepaid Gas Agreement terminates prior to or as of the early termination date.

9. Commitments and Contingencies

The PFC purchases all of its natural gas supply under the Prepaid Gas Agreement from one national supplier.

CPS Energy is the only participant in Gas Project No. 1. The related Natural Gas Supply Agreement provides for the sale to CPS Energy, on a pay-as-you-go basis over a 20-year period expiring in 2027, all natural gas to be delivered to the PFC under the Prepaid Gas Agreement.

10. Subsequent Event

Subsequent to year end, Fitch Ratings affirmed the 'A' rating of Goldman Sachs Group, Inc., and revised the outlook from negative to stable. As a result, Fitch Ratings also affirmed the 'A' rating and revised the individual rating outlooks on a number of prepaid energy transactions, including the PFC, from negative to stable, as these transactions include Goldman Sachs Group, Inc. as a counterparty. In each of the prepaid gas transactions included, Goldman Sachs Group, Inc. represents the weakest counterparty whose default risk is not otherwise mitigated.

SAENERGY
Acquisition Public Facility Corp.

July 26, 2021

Baker Tilly US, LLP
c/o Jodi Dobson, Baker Tilly
2801 Via Fortuna, Suite 300
Austin, TX 78746

Ladies and Gentlemen:

SA Energy Acquisition Public Facility Corporation of San Antonio, Texas (“PFC”)'s internal control over financial reporting is a process effected by those charged with governance, management, and other personnel, designed to provide reasonable assurance regarding the preparation of reliable financial statements in accordance with accounting principles generally accepted in the United States of America. The PFC’s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the PFC; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America, and that receipts and expenditures of the PFC are being made only in accordance with authorizations of management and those charged with governance; and (3) provide reasonable assurance regarding prevention, or timely detection and correction, of unauthorized acquisition, use, or disposition of the PFC's assets that could have a material effect on the financial statements.

Management of the PFC is responsible for designing, implementing and maintaining effective internal control over financial reporting. Utilizing criteria established in the *Internal Control-Integrated Framework* (2013), issued by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”), PFC management has assessed the effectiveness of the PFC's internal control over financial reporting as of January 31, 2021. Based on that assessment, management concluded that, as of January 31, 2021, the PFC's internal control over financial reporting is effective, based on the COSO framework.

Internal control over financial reporting has inherent limitations as it is a process that involves human diligence and compliance and is subject to lapses in judgment and breakdowns resulting from human failures. Internal control over financial reporting also can be circumvented by collusion or improper management override. Because of its inherent limitations, there is a risk that material misstatements will not be prevented, or detected, and corrected, on a timely basis by internal control over financial reporting. Also, projections of any assessment of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

SA Energy Acquisition Public Facility Corporation

Paula Gold-Williams
Assistant Vice President

Julie Johnson
Treasurer

Shannon R. Albert
Assistant Secretary

500 McCullough P.O. Box 1771 San Antonio, Texas 78296

SA ENERGY ACQUISITION PUBLIC FACILITY CORPORATION

Independent Accountants' Report on
Applying Agreed-Upon Procedures

Public Funds Investment Act

January 31, 2021

INDEPENDENT ACCOUNTANTS' REPORT
ON APPLYING AGREED-UPON PROCEDURES

DRAFT

To the Board of Directors
SA Energy Acquisition Public Facility Corporation

We have performed the procedures enumerated below, which were agreed to by the authorized representatives of the Board of Directors (Board) of the SA Energy Acquisition Public Facility Corporation (PFC), and included in their representation letter dated July 26, 2021, solely to assist you in evaluating management's assertion that the PFC has complied with the Public Funds Investment Act (PFIA) for the fiscal year ended January 31, 2021 (fiscal year 2021). Management of the PFC is responsible for compliance with the requirements of the PFIA. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures we performed and the associated findings are as follows:

1. Inspect the Board meeting minutes and determine if the Board has adopted by rule, order, ordinance, or resolution, as appropriate, a written investment policy regarding the investment of its funds and funds under its control that complies with Texas Government Code, Section 2256.005(a).

   We inspected the Board's Financial Policy for Banking and Investing and the PFC Board minutes for fiscal year 2021 and found that the date the Board adopted by resolution a written investment policy regarding the investment of its funds and funds under its control was February 18, 2019, effective January 31, 2020. The Board reviewed the policy and adopted changes at its meeting on December 14, 2020, effective January 31, 2021.

2. Inspect the Board meeting minutes and determine that the PFC's Investment Policy contains the provisions regarding safety of principal and liquidity and investment diversification, yield and maturity, and the quality and capability of investment management that is required by the Texas Government Code, Section 2256.005(b).

   We inspected the Board meeting minutes for the Board meeting on February 18, 2019 and December 14, 2020 and found that the Financial Policy for Banking and Investing effective January 31, 2020 and January 31, 2021, respectively, contain provisions that address safety of principal and liquidity and investment diversification, yield and maturity, and the quality and capability of investment management.

3. Inspect the Board-approved Investment Policy and determine if it includes a list of the types of authorized investments, the maximum allowable stated maturity of individual investments owned by the PFC and the methods to monitor the market price of investments acquired by the PFC as required by Texas Government Code, Section 2256.005(b).

   We inspected the Board's Financial Policy for Banking and Investing and determined that it includes a list of types of authorized investments, the maximum allowable stated maturity of individual investments owned by the PFC and the methods to monitor the market price of investments acquired by the PFC.

4. Inspect the separately written investment strategy for each fund to determine that the following investment objectives are included in the following order of priority: (1) understanding of the suitability of the investment to the PFC's financial requirements, (2) preservation and safety of principal, (3) liquidity, (4) marketability of the investment if the need arises, (5) diversification and (6) yield (Texas Government Code, Section 2256.005(d)).

   We inspected the written investment strategy for each of the PFC's individual funds and determined that the Board's Financial Policy for Banking and Investing effective January 31, 2020 and January 31, 2021 each address the objectives in the required order.

5. Inspect the Board-approved Investment Policy and determine if the PFC's Investment Policy and investment strategies have been reviewed not less than annually by adopting a written instrument by rule, order, ordinance, or resolution, as appropriate (Texas Government Code, Section 2256.005(e)).

   We inspected the Board's meeting minutes and found that the Board reviewed its Financial Policy for Banking and Investing and investment strategies and adopted by approval of the Board at the SA Energy Public Facility Corporation Board of Directors meeting on December 14, 2020 for fiscal year 2022 and on February 18, 2019 for fiscal year 2021, which contain provisions that address the Financial Policy for Banking and Investing and investment strategy for the PFC.

6. Inspect the Board-approved Investment Policy and determine that one or more officers or employees of the PFC have been designated by rule, order, ordinance, or resolution, as appropriate, as investment officer to be responsible for the investment of the PFC's funds consistent with the Investment Policy (Texas Government Code, Section 2256.005(f)).

   We inspected the Board's Financial Policy for Banking and Investing for evidence that such policy contains provisions that the Board designated at least one investment officer to be responsible for the investment of its funds. We found that the Financial Policy for Banking and Investing approved by the Board at the SA Energy Public Facility Corporation Board of Directors meeting on February 18, 2019 contains provisions that designate the following individuals as the PFC's Investment Officers:

   Treasurer

   Assistant Treasurer

   Assistant Secretary

7. Inspect the investment officer training certificates and determine that the designated investment officers attended training related to their responsibilities under the Public Funds Investment Act within designated time periods after being appointed as an investment officer (Texas Government Code, Section 2256.008(a)).

   We inspected the training certificates of the designated investment officers for evidence that such officers attended training relating to their responsibilities under the PFIA within one year of being appointed as an investment officer or attained ten or more hours of instruction in a two-year period relating to investment responsibilities as defined in the PFIA. We found no exceptions as a result of this procedure.

8. Inspect the quarterly investment reports submitted to the governing body of the PFC for the year ended January 31, 2021, and determine that such reports demonstrate the attributes required in Texas Government Code, Section 2256.023, which are investment position; signature of each investment officer; book value, market value and maturity date of each separately invested asset; the account or fund for which the investment was acquired; a summary of book and market value of each investment or pooled fund group and the fully accrued interest; and a statement of compliance with the PFC's Investment Policy and the PFIA.

   We inspected the investment reports submitted to the Board for the four quarters ended January 31, 2021, for evidence that such reports contained the required attributes, such as investment position; signature of each investment officer; book value, market value and maturity date of each separately invested asset; the account or fund for which the investment was acquired; a summary of book and market value of each investment or pooled fund group and the fully accrued interest; and a statement of compliance with the PFC's Financial Policy for Banking and Investing and the PFIA as required by the PFIA (Government Code, Section 2256.023). We found that the quarterly reports submitted to the Board for the year ended January 31, 2021 demonstrated the attributes required under the PFIA (Government Code, Section 2256.023).

9. Inspect all acknowledgement and certification letters required for all investments under the Investment Policy as required by Texas Government Code, Section 2256.005(k) and compare such acknowledgement and certification letters to the list of organizations that are authorized to purchase investments for the PFC.

   We noted that PFC does not have or use any brokers/dealers and therefore did not inspect any acknowledgment and certification letters as required by Texas Government Code, Section 2256.005(k).

10. Compare the dollar amounts shown in the quarterly investment report for the quarter ended January 31, 2021, to the books and records of the PFC and determine that the amounts shown are in agreement with the books and records of the PFC.

    We compared the quarterly investment report for the quarter ending January 31, 2021 with the general ledger trial balances of the PFC as of January 31, 2021 for evidence that the quarterly investment report is supported by the books and records of the PFC. We noticed a difference ($30) in the amount reported as revenue fund and accrued interest between the quarterly investment report and the adjusted general ledger trial balance.

Fund	Quarterly Investment Report	Adjusted General Ledger Trial Balance	Variance
SA Energy Acquisition Public Facility Corporation accrued interest	$ 85,608	$ 85,638	$ 30
TOTALS	$ 85,608	$ 85,638	$ 30

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to, and did not conduct an examination or review, the objective of which would be the expression of an opinion on compliance. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board of Directors and management of the PFC and is not intended to be, and should not be, used by anyone other than these specified parties.

Austin, Texas
July 26, 2021

SAENERGY
Acquisition Public Facility Corp.

DIRECTORS & OFFICERS (D&O) INSURANCE PROGRAM RENEWAL

PRESENTED BY:

Anthony J. Werland
Interim Director, Enterprise Risk Management & Solutions (ERMS)

July 26, 2021

Approval Requested

OBJECTIVES & TAKEAWAYS

SAENERGY
Acquisition Public Facility Corp.

- **PROVIDE AN OVERVIEW OF THE PROGRAM ALONG WITH MARKET CONDITIONS & BENCHMARKING**

- **REQUEST APPROVAL**

AGENDA

SAENERGY
Acquisition Public Facility Corp.

- OVERVIEW
- COMPARISON
- MARKET CONDITIONS & BENCHMARKING
- RENEWAL PROGRAM
- REQUEST FOR APPROVAL

OVERVIEW

- Program has been in place since April 2007
- Provides coverage for the PFC’s Board of Directors & Officers
- D&O Insurance protects against legal claims for wrongful acts, breach of duty, errors & omissions, misstatements, or neglect

COMPARISON

SAENERGY
Acquisition Public Facility Corp.

CPS Energy	PFC
Policy Period: 8/1/2020 – 8/1/2021	Policy Period: 8/1/2020 – 8/1/2021
Policy Limit: $10,000,000	Policy Limit: $20,000,000
Deductible: $1,000,000	Deductible: $100,000
Annual Premium: $111,776	Annual Premium: $69,000

While coverages are the same, the PFC maintains a higher limit since it does not share the inherent statutory & common law protections afforded a municipally-owned utility.

MARKET CONDITIONS & BENCHMARKING

SAENERGY
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The PFC is favorably positioned to incur a lower than projected market premium rate increase.

Market Impact on PFC D&O Renewal

- Marsh (CPS Energy's Insurance Broker) has indicated that current market conditions forecast premium rate increases to be within the 15% - 20% range
- Based on the PFC being a limited purpose entity with minimal complexity, our 10% premium rate increase is less than what our peer utilities are experiencing

RENEWAL PROGRAM

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Current Program	*Recommended* Renewal Program
Policy Period: 8/1/2020 – 8/1/2021	Policy Period: 8/1/2021 – 8/1/2022
Policy Limit: $20,000,000	Policy Limit: $20,000,000
Deductible: $100,000	Deductible: $100,000
Annual Premium: **$69,000**	Annual Premium: **$75,900**

Renewal program maintains the same coverage, policy limit, & deductible as our current policy with a 10% increase in the annual premium.

REQUEST FOR APPROVAL

SAENERGY
Acquisition Public Facility Corp.

Your approval is requested for the renewal of the PFC's D&O Insurance Program that provides the following:

- A one-year policy effective August 1, 2021
- $20,000,000 Policy Limit
- $100,000 Deductible
- Annual premium of $75,900

Premium & deductible costs are covered by the PFC.

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Thank You

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Appendix

GLOSSARY / DEFINITIONS

SAENERGY
Acquisition Public Facility Corp.

Acronym or Word	Definition
D&O	Directors & Officers
PFC	SA Energy Acquisition Public Facility Corporation

SAENERGY
Acquisition Public Facility Corp.

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, 2021; 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, 2022, at a total annual premium cost of $75,900; 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, 2021, with both premium and deductible, if the need arises, to be paid by the SA Energy Acquisition Public Facility Corporation.

____
Shanna M. Ramirez, Secretary