



COST SAVINGS: PFC SAVINGS SINCE INCEPTION

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Informational Update

OBJECTIVES & TAKEAWAYS



- **PROVIDE A BACKGROUND OF THE SA ENERGY ACQUISITION PUBLIC FACILITY CORPORATION (PFC)**
- **REVIEW THE PFC STRUCTURE**
- **RELAY THE INCEPTION-TO-DATE SAVINGS**

COST SAVINGS

PFC BACKGROUND



Purpose: A non-profit corporation created with a sole purpose of acquiring natural gas or other forms of energy

Authorizations:

- **Texas Public Facility Corporation Act, Chapter 303, Texas Local Government Code** – Authorized City Council to create the PFC, a special purpose entity
- **Internal Revenue Service Regulations (2003) & Legislation (2005)** – Authorized tax-exempt funded prepaid natural gas transactions

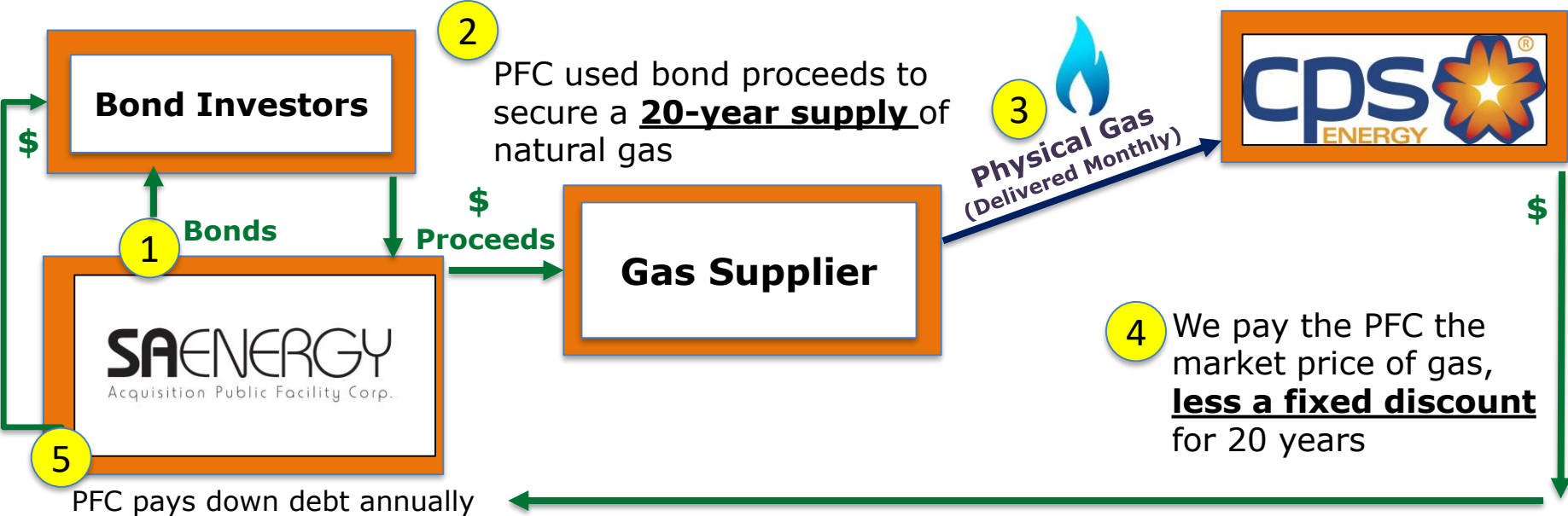
Governance:

- 7-Member Board of Directors, made up of CPS Energy's:
 - 5-Member Board of Trustees
 - President & Chief Executive Officer (CEO)
 - Chief Financial Officer (CFO) & Treasurer

In 2007, we worked with the City of San Antonio to create the PFC specifically to enter into a prepaid natural gas transaction.

COST SAVINGS

PFC STRUCTURE



The PFC is a separate legal entity, with a non-recourse¹ credit structure (meaning we only pay for gas that is delivered).

1 – See definition provided within the Glossary / Definitions slide

COST SAVINGS

PFC STRUCTURE (CONTINUED)

SAENERGY
Acquisition Public Facility Corp.



What created the savings in 2007?

- **High Natural Gas Prices**: Savings are a function of the size of gas purchased (volume x price x 20 years)
- **Spread Between Taxable & Tax-Exempt Interest Rates**:
 - **Taxable Interest Rates** determined the discount rate of the gas supplied (20-years of prepaid natural gas supply discounted back to 2007)
 - **Tax-Exempt Interest Rates** determined the PFC's borrowing cost

In 2007, market conditions came together to make this transaction worthwhile, resulting in meaningful cost savings!

COST SAVINGS

SINCE INCEPTION (2007)



- Provides ~30% of our distribution natural gas requirements
- Locked-in a significant discount off the market price of natural gas
- Savings flow directly to our natural gas customers

Prepaid Gas Cost Savings* (\$ in millions)	
2007 - 2018	\$72.4
2019	\$5.5
2020 - 2027	\$26.1
Total	\$104.0

*cited in calendar year



Thank You



Appendix

GLOSSARY / DEFINITIONS



Acronym or Word	Definition
Non-Recourse ¹	Loan agreement by where the lender cannot hold the borrower personally liable in the event of a default.
PFC	Public Facility Corporation
SA Energy Acquisition Public Facility Corporation	The non-profit corporation created by the City of San Antonio in 2007 to secure a 20-year supply of natural gas.

1 – Definition taken from www.businessdictionary.com

INTEREST RATE SPREADS

TAXABLE VS. TAX-EXEMPT



10-Year LIBOR (Taxable) vs. 10-Year MMD (Tax-Exempt) 2007 - Present

