



Northern California Power Agency

February 2026

Finance Committee Materials

PFM Financial Advisors
LLC

222 N. Pacific Coast
Hwy., 10th Floor
El Segundo, CA 90245

213.489.4075



Report on Current Financial Market Conditions or Issues

Data, rates, and related statistics and charts are as of February 2, 2026, unless otherwise indicated



Market Overview Since November 18th 2025

Date	DJIA	10-Yr BVAL	10-Yr Tsy	30-Yr BVAL	30-Yr Tsy
18-Nov	46,092	2.70%	4.12%	4.04%	4.74%
5-Jan	48,977	2.67%	4.17%	4.12%	4.85%
Δ	2,885	-0.03%	0.05%	0.08%	0.11%

- For November and through the end of 2025, rates remained relatively stable
- On December 10th, the Fed delivered a widely expected 25 bps rate cut
 - Strong labor indicators and hawkish ECB signals kept Treasury yields from rallying meaningfully

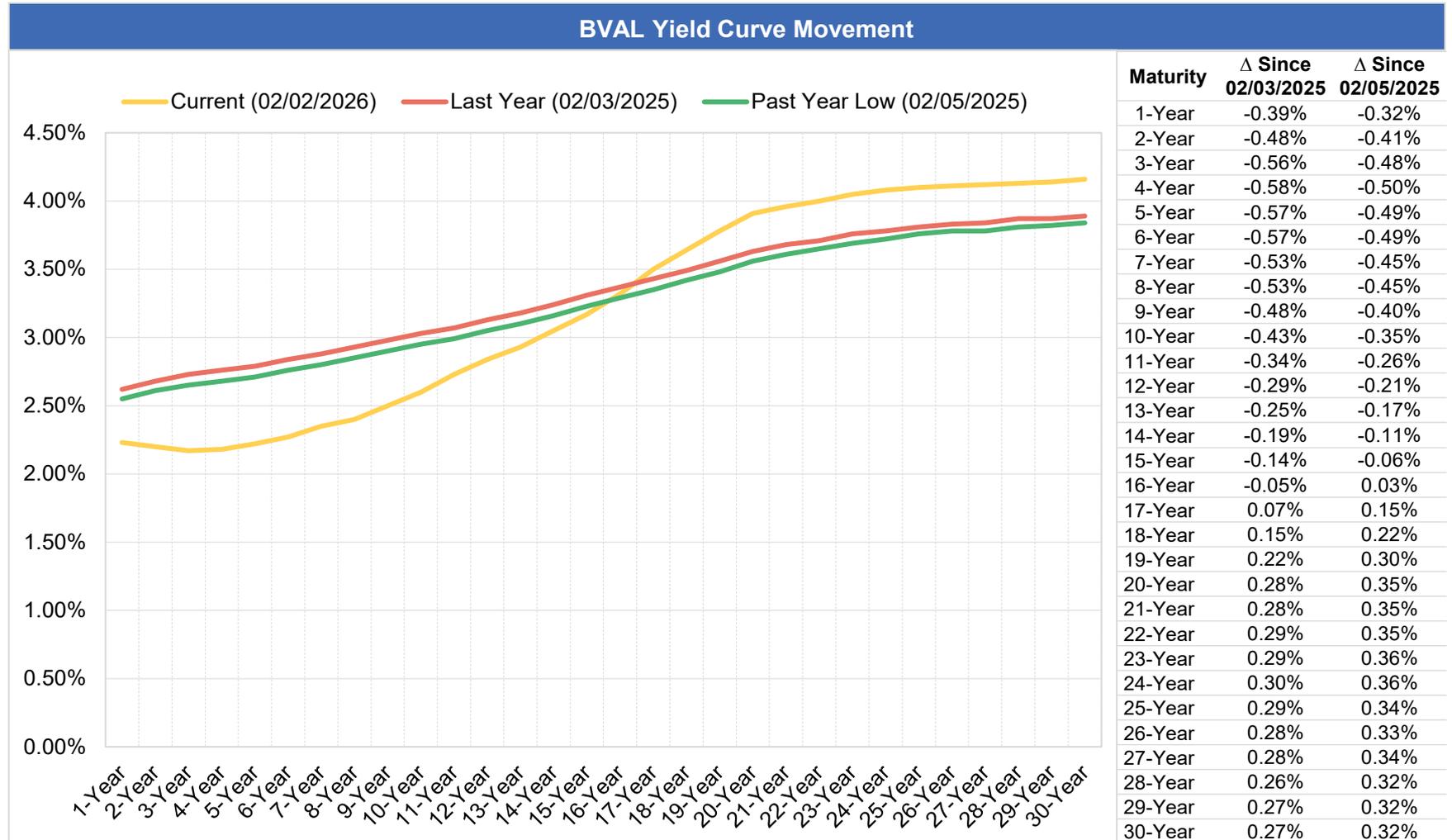
Date	DJIA	10-Yr BVAL	10-Yr Tsy	30-Yr BVAL	30-Yr Tsy
5-Jan	48,977	2.67%	4.17%	4.12%	4.85%
3-Feb	49,241	2.60%	4.28%	4.16%	4.90%
Δ	264	-0.07%	0.11%	0.04%	0.05%

- In mid-to-late January, markets were dominated by geopolitical headlines, including escalating tensions between President Trump and European allies over Greenland, discussions of global uncertainty at the World Economic Forum, and a sharp selloff in Japanese government bonds
- At the January FOMC meeting, the Fed held rates steady, reinforcing a patient stance
 - Chairman Powell noted “a clear improvement on the outlook for growth,” and policymakers pointed to signs that the unemployment rate may be stabilizing
 - Two Fed governors dissented – Miran and Waller – marking the third meeting in a row where more than one member disagreed with the FOMC rate decision
- On January 30th, President Trump announced his nomination for next Fed Chairman, Kevin Warsh, who is widely seen as an inflation hawk and supportive of reducing the Fed balance sheet
 - The yield curve widened going into February, and the 10-year Treasury has remained close to the five-month high

Source: PFM Research, Bloomberg, Refinitiv, Trading Economics



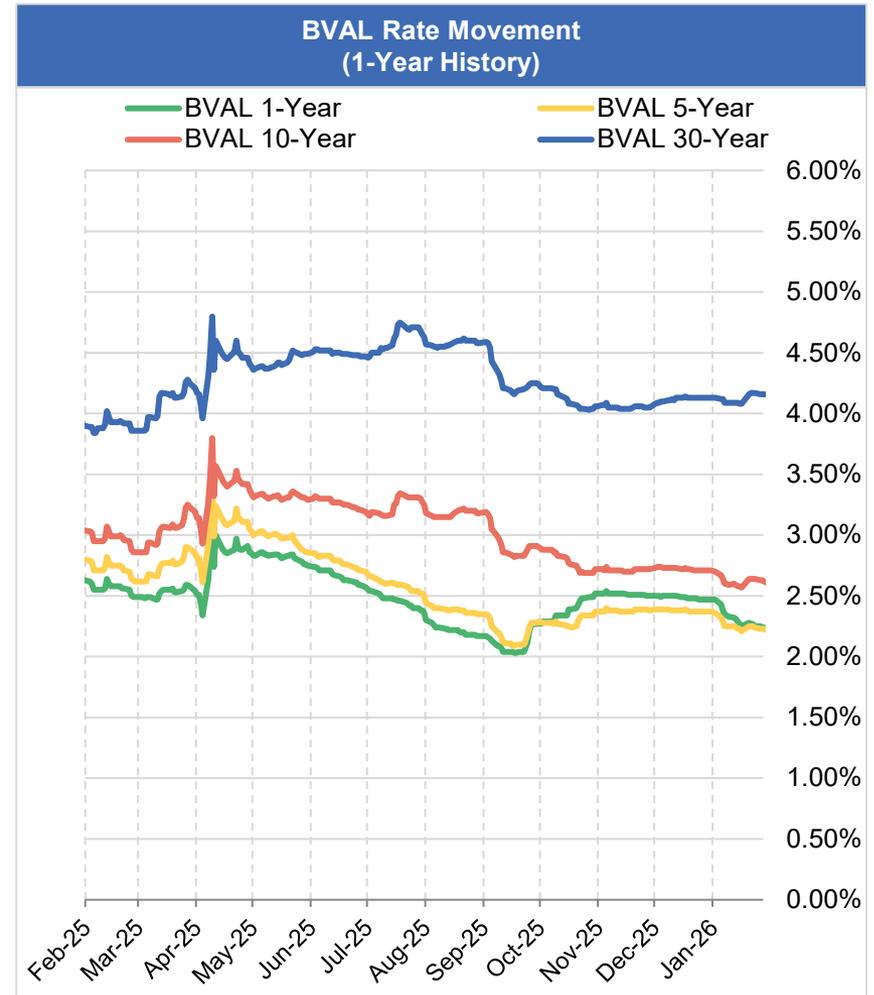
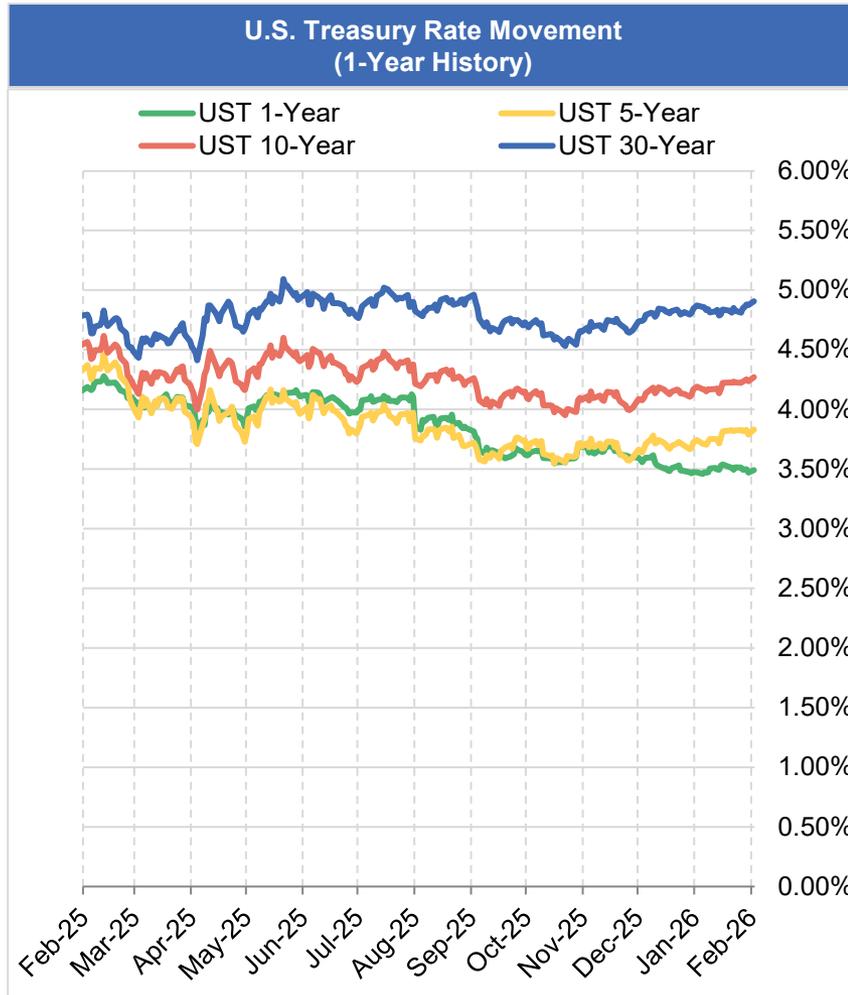
Recent BVAL Yield Curve Movement



Source: Bloomberg, PFM Research



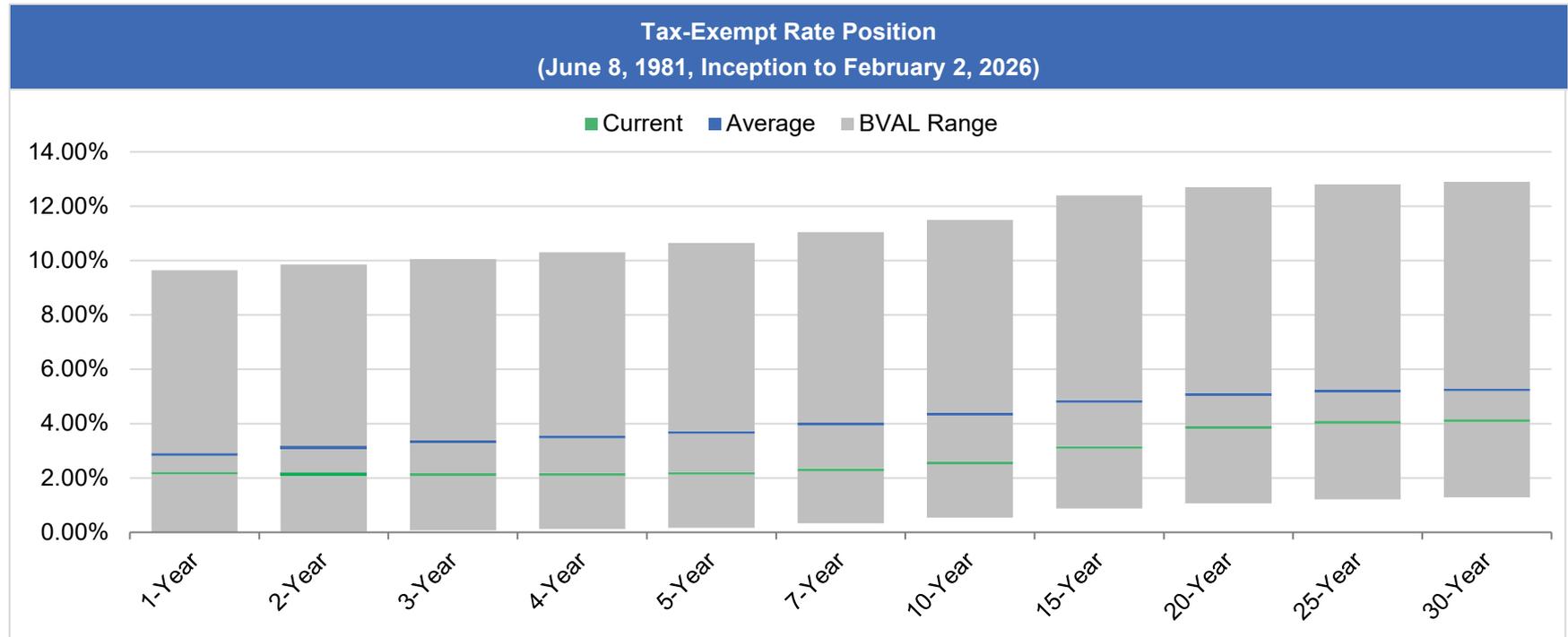
U.S. Treasury & BVAL Rate Movement



Source: Bloomberg, PFM Research



Tax-Exempt Rate Position Since Inception



Summary of February 2, 2026 vs. Historical (since Inception) Tax-Exempt Rates

Statistic	1-Year	2-Year	3-Year	4-Year	5-Year	7-Year	10-Year	15-Year	20-Year	25-Year	30-Year
February 2, 2026	2.23%	2.20%	2.17%	2.18%	2.22%	2.35%	2.60%	3.17%	3.91%	4.10%	4.16%
Average	2.81%	3.08%	3.29%	3.46%	3.62%	3.93%	4.30%	4.77%	5.02%	5.15%	5.20%
Spread to Average	-0.58%	-0.88%	-1.12%	-1.28%	-1.40%	-1.58%	-1.70%	-1.60%	-1.11%	-1.05%	-1.04%
Min	0.01%	0.03%	0.07%	0.12%	0.16%	0.34%	0.54%	0.88%	1.06%	1.22%	1.28%
Max	9.65%	9.85%	10.05%	10.30%	10.65%	11.05%	11.50%	12.40%	12.70%	12.80%	12.90%
% of Time Lower	40.40%	37.27%	34.90%	32.45%	30.53%	28.14%	25.34%	27.39%	33.92%	34.08%	33.33%

Source: Bloomberg, PFM Research



2026 Outlook and Predictions

Supply

- Market participant expectations range from \$520B - \$750B+ in supply (vs. \$580B for 2025), with most expecting 2026 to be another record year
- “We expect another year of elevated issuance and if demand doesn't keep pace, total returns for munis may lag other comparable fixed income investments...” – *2026 Outlook: Municipal Bonds, Charles Schwab*

Borrowing rates

- Continued steepening of the yield curve
- “Our expectations indicate a widening spread that is a historically common environment for a growing economy.” – *2026 Outlook, Wells Fargo Investment Institute*

Economy

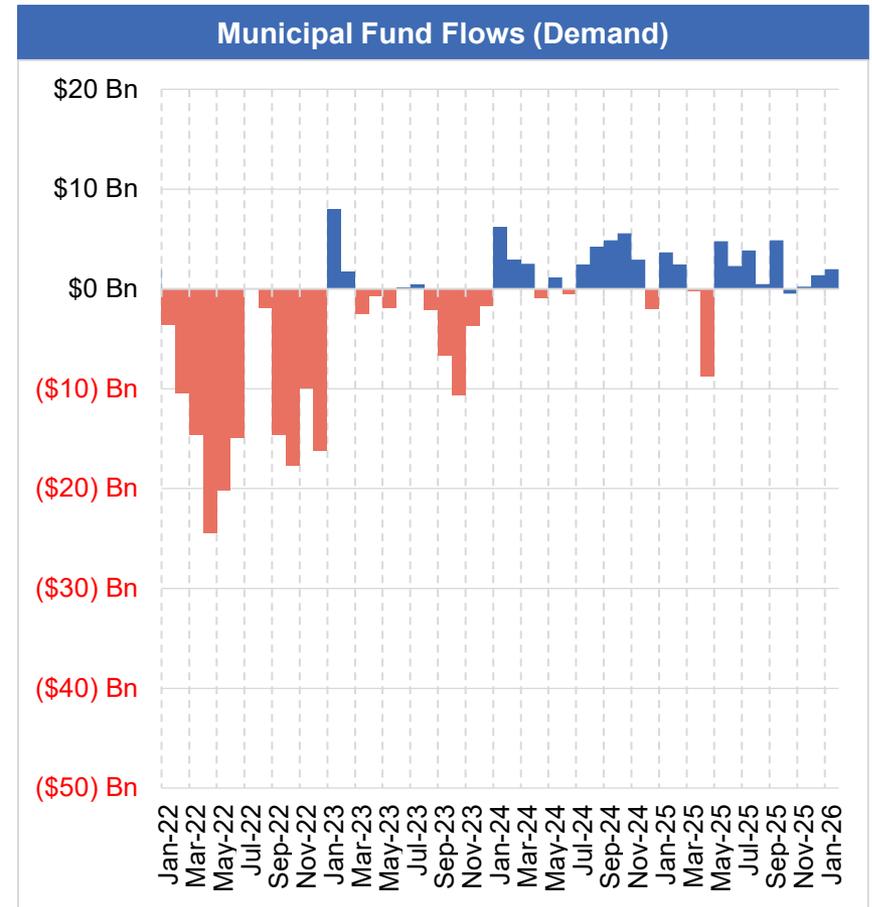
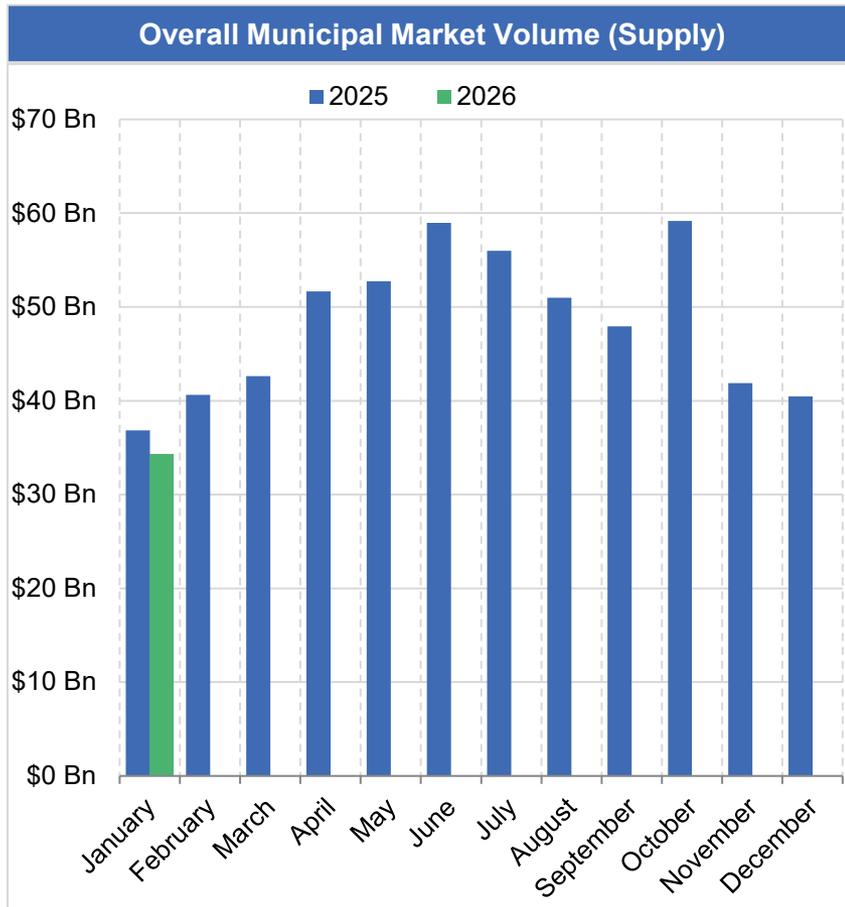
- AI will have wide-reaching impacts on the economy
- “Moving forward, better clarity as to the role issuers will play in developing AI infrastructure, and just how much capital market access would be required, should emerge.” – *Jeff Lipton, The Bond Buyer*
- “We expect the global economy to remain resilient in 2026, with AI investment continuing to drive market dynamics and support growth.” – *2026 Market Outlook: A Multidimensional Polarization, J.P. Morgan*
- Tariffs will continue to influence the economy, although opinions are mixed as to what extent
- “The enormous trade shock from tariffs is likely only going to start materializing in 2026.” – *2026 Outlook, RBC Capital Markets*
- “Tariffs from a rebalancing of trade relationships remain embroiled in fits and starts without having clear messaging on GDP and inflation, and will likely present continued challenges for 2026, albeit less disruptive” – *Jeff Lipton, The Bond Buyer*

Source: *Bond Buyer*



Municipal Market Supply & Demand

- Municipal funds experienced net inflows in January. New issuance volume for was down 6.90% year-over-year in January.



Source: Bond Buyer, Investment Company Institute



Interest Rate Forecasts

- Most market participants currently do not expect a rate cut within Q1.

The Street's Interest Rate Forecast (As of February 2, 2026)

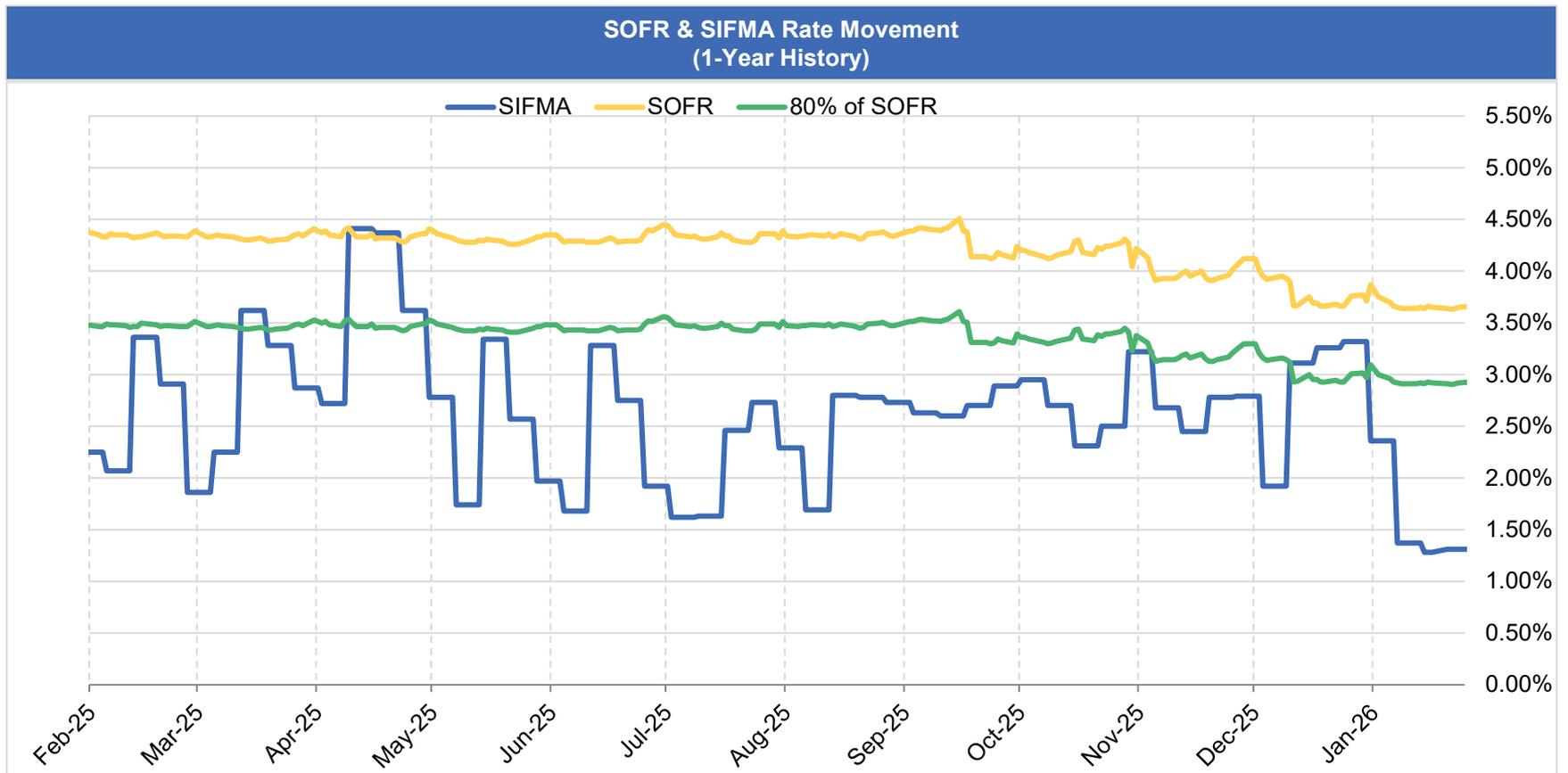
Average Forecasts	Current	Q1 26	Q3 Δ vs. Current	Q2 26	Q3 26	Q4 26	Q1 27	Q2 27
30-Year UST	4.87%	4.76%	-0.11%	4.73%	4.67%	4.69%	4.69%	4.69%
10-Year UST	4.24%	4.15%	-0.09%	4.13%	4.11%	4.11%	4.12%	4.11%
2-Year UST	3.53%	3.47%	-0.06%	3.39%	3.35%	3.32%	3.36%	3.37%
3M SOFR	3.66%	3.54%	-0.12%	3.32%	3.20%	3.16%	3.18%	3.16%
Fed Funds Target Rate	3.50%	3.42%	-0.08%	3.20%	3.05%	3.01%	3.00%	2.98%
<i>Fed Funds Δ Since November Meeting</i>	<i>-0.25%</i>	<i>0.06%</i>		<i>0.03%</i>	<i>0.00%</i>	<i>0.00%</i>	<i>0.08%</i>	<i>0.07%</i>

Source: Bloomberg



SOFR & SIFMA Rate Movement

- SOFR fluctuated in January within 1.28% and 2.36%, following a drop at the beginning of the year. SIFMA has held relatively steady within 3.63% and 3.75% throughout January.



Source: Bloomberg, PFM Research

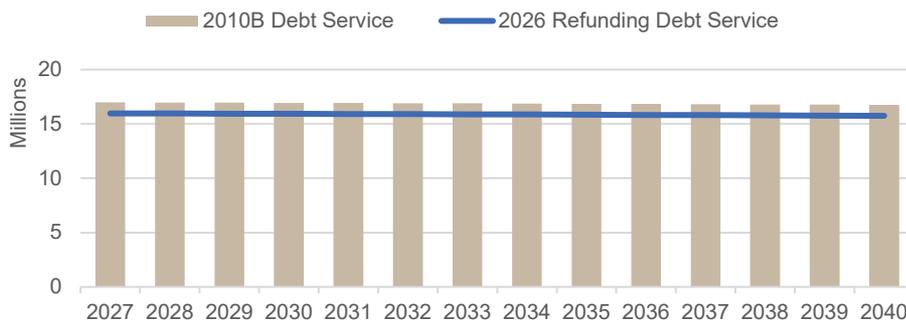


LEC Group A 2010B BABs Refunding Opportunity

- \$176,625,000 of the Indenture Group A, Lodi Energy Center 2010B Build America Bonds (BABs) are outstanding
- Originally expected to receive a federal subsidy equal to 35% of interest, which has been reduced since 2013 due to sequestration and is currently 33.005% (5.7% sequestration)
- Callable at any time, using make-whole call
 - Sequestration can likely be treated as an “extraordinary event” that would allow NCPA to refund the 2010B BABs at a lower make-whole price
- At current rates, NCPA can refund the 2010B BABs with tax-exempt debt at break-even net present value (NPV) savings
- Reserve release of ~\$10.5 million would allow refunding debt service to be ~\$1 million lower

LEC Group A Participation Percentages	
Member	Ind. Group A Cost Share (%)
Azusa	4.9936
Biggs	0.4802
Gridley	3.5212
Healdsburg	2.9448
Lodi	17.0295
Lompoc	3.6491
Santa Clara	46.1588
Ukiah	3.2010
Plumas-Sierra	1.4084
PWRPA	4.7824
SFBART	11.8310

NCPA LEC Group A 2010B Debt Service



Refunding Statistics

Delivery Date	5/1/2026
Refunded Maturities	2026 - 2040
Par Amount of Bonds Refunded	\$176,625,000
Par Amount of Refunding Bonds	\$157,240,000
NPV Savings (Net DSRF Release and Bond Fund Contributions)	\$41,949
NPV Savings as a % of Refunded Par	0.02%

Rates as of 2/4/2026. Includes ~\$23.5 million from prior bond funds as additional source. Savings discounted to delivery at arbitrage yield. 2010B debt service shown net 33.005% BAB subsidy.



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