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# Northern California Power Agency

## August 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 July 27, 2026 unless otherwise indicated

## Market Overview Since May 5th

| Date | DJIA | 10-Yr BVAL | 10-Yr Tsy | 30-Yr BVAL | 30-Yr Tsy |
|---|---|---|---|---|---|
| 5-May | 48,942 | 2.94% | 4.43% | 4.31% | 4.99% |
| 8-Jun | 50,786 | 2.91% | 4.56% | 4.21% | 5.03% |
| Δ | 1,844 | -0.03% | 0.13% | -0.10% | 0.04% |

- In late May through early June, the muni market navigated a volatile rate environment, driven by geopolitical developments in the Middle East, shifting inflation data, and Fed Chair Warsh's hawkish policy stance.
- Treasuries saw significant swings in both directions over the period— selling off the week of May 26 as the 30-year broke 5%, rallying the week of June 1 on ceasefire optimism and soft PCE data, then selling off again the week of June 8 on stronger-than-expected jobs data.

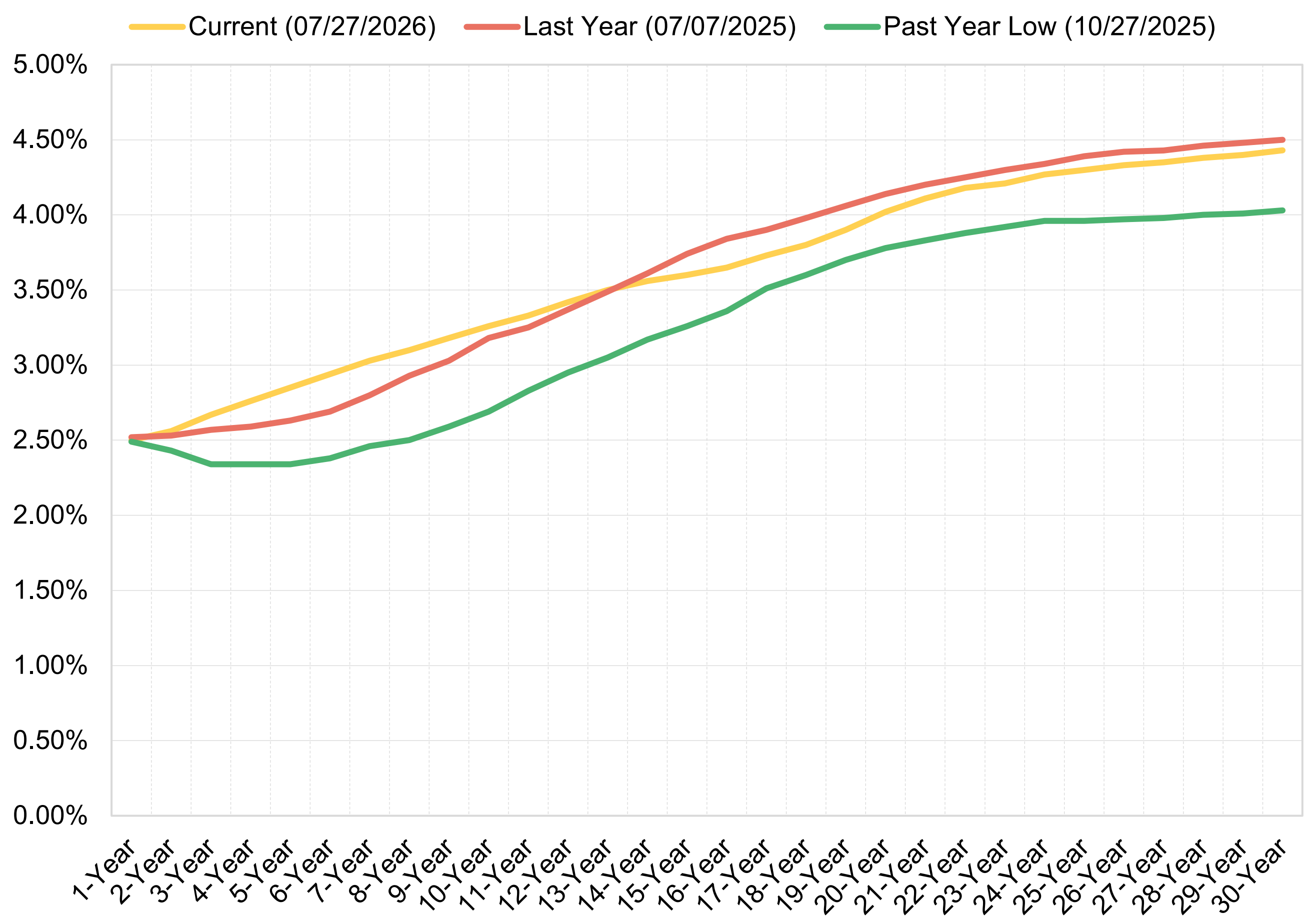
| Date | DJIA | 10-Yr BVAL | 10-Yr Tsy | 30-Yr BVAL | 30-Yr Tsy |
|---|---|---|---|---|---|
| 8-Jun | 50,786 | 2.91% | 4.56% | 4.21% | 5.03% |
| 27-Jul | 52,210 | 3.26% | 4.65% | 4.43% | 5.12% |
| Δ | 1,424 | 0.35% | 0.09% | 0.22% | 0.09% |

- In June, escalating tensions between Israel and Lebanon alongside ongoing U.S.-Iran negotiations contributed to market volatility, keeping investors cautious despite strong jobs data.
- The week of June 22, progress in U.S.-Iran peace negotiations drove oil prices back to pre-conflict levels, pulling the 10-year Treasury from 4.51% to 4.40% and supporting a broad market rally.
- A couple weeks later, a wave of attacks between the US and Iran upended the tentative ceasefire, with President Trump stating that the interim agreement was "over," pushing oil above $80 a barrel and contributing to a rate selloff that pressured both Treasuries and munis.
- In late July, the unresolved U.S.-Iran conflict remained a key headwind alongside elevated supply and an uncertain rate backdrop.
- At the July 28-29 FOMC, the Fed held interest rates static, with three of the 12 voting policymakers dissenting in favor of a rate hike. In the press conference, Chairman Warsh reiterated the Central Bank's commitment to bring inflation down to the 2% target.
  - Following the meeting, bond yields jumped, with the 30-year Treasury hitting 5.2%, its highest level since 2007.

*Source: PFM Research, Bloomberg, Refinitiv, Trading Economics*

# Recent BVAL Yield Curve Movement

BVAL Yield Curve Movement

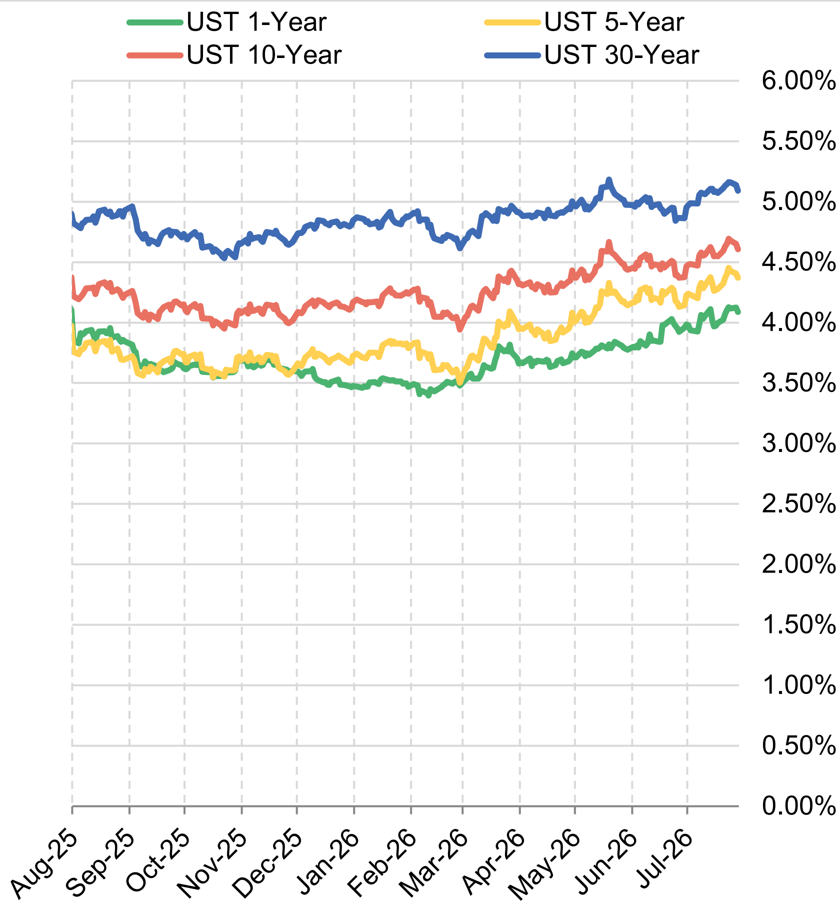



| Maturity | Δ Since 07/07/2025 | Δ Since 10/27/2025 |
|---|---|---|
| 1-Year | -0.02% | 0.01% |
| 2-Year | 0.03% | 0.13% |
| 3-Year | 0.10% | 0.33% |
| 4-Year | 0.17% | 0.42% |
| 5-Year | 0.22% | 0.51% |
| 6-Year | 0.25% | 0.56% |
| 7-Year | 0.23% | 0.57% |
| 8-Year | 0.17% | 0.60% |
| 9-Year | 0.15% | 0.59% |
| 10-Year | 0.08% | 0.57% |
| 11-Year | 0.08% | 0.50% |
| 12-Year | 0.05% | 0.47% |
| 13-Year | 0.01% | 0.45% |
| 14-Year | -0.05% | 0.39% |
| 15-Year | -0.14% | 0.34% |
| 16-Year | -0.19% | 0.29% |
| 17-Year | -0.17% | 0.22% |
| 18-Year | -0.18% | 0.20% |
| 19-Year | -0.16% | 0.20% |
| 20-Year | -0.12% | 0.24% |
| 21-Year | -0.09% | 0.28% |
| 22-Year | -0.07% | 0.30% |
| 23-Year | -0.09% | 0.29% |
| 24-Year | -0.07% | 0.31% |
| 25-Year | -0.09% | 0.34% |
| 26-Year | -0.09% | 0.36% |
| 27-Year | -0.08% | 0.37% |
| 28-Year | -0.08% | 0.38% |
| 29-Year | -0.08% | 0.39% |
| 30-Year | -0.07% | 0.40% |

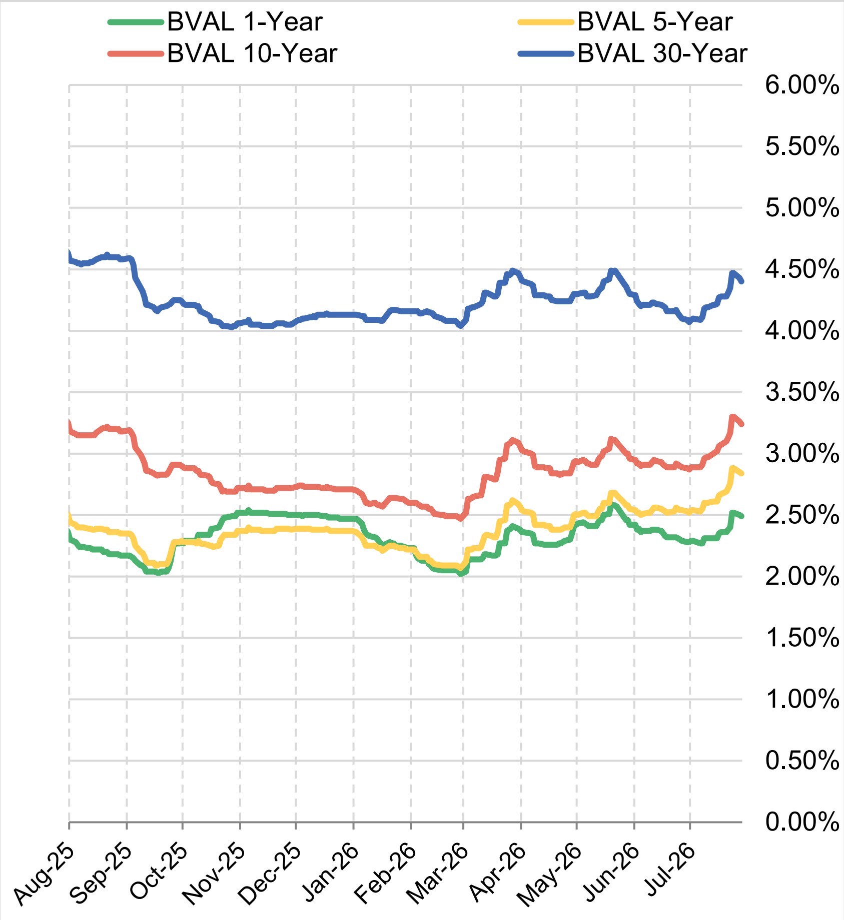
*Source: Bloomberg, PFM Research*

# U.S. Treasury & BVAL Rate Movement

**U.S. Treasury Rate Movement (1-Year History)**

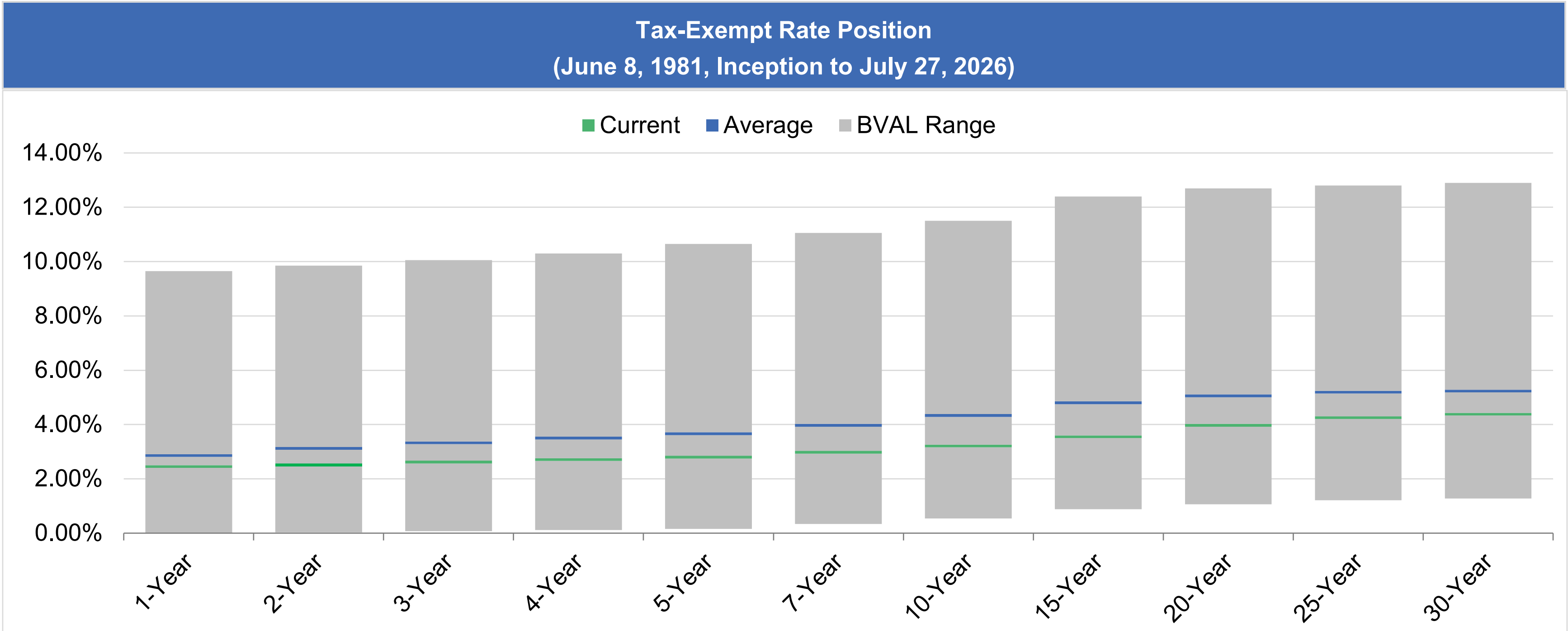



**BVAL Rate Movement (1-Year History)**




*Source: Bloomberg, PFM Research*

# Tax-Exempt Rate Position Since Inception




**Summary of July 27, 2026 vs. Historical (since Inception) Tax-Exempt Rates**

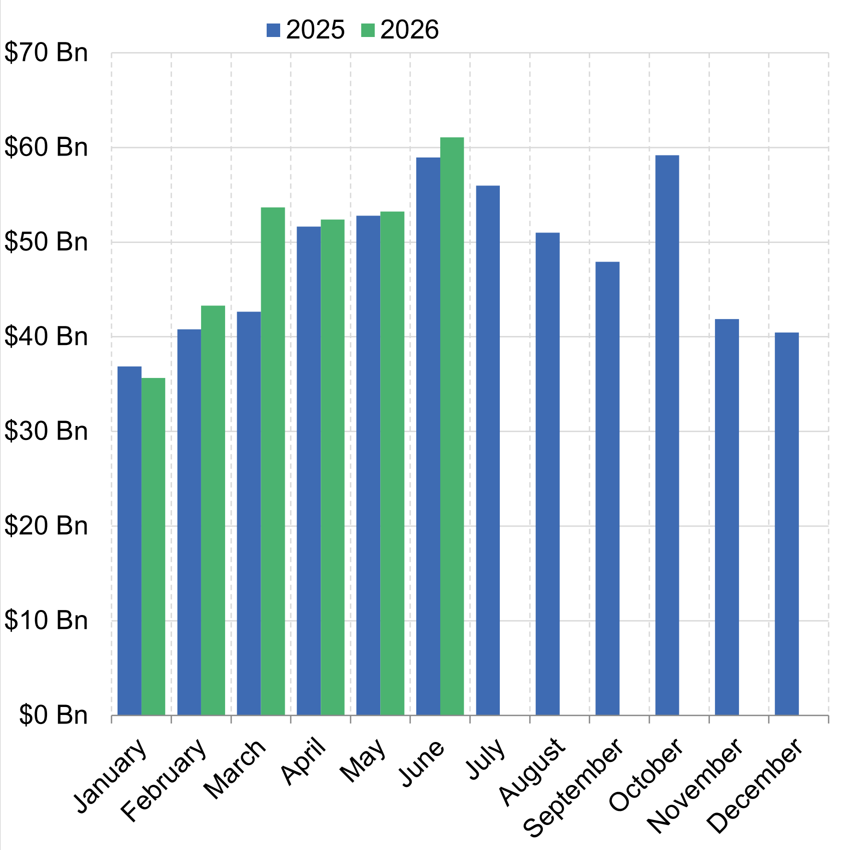
| Statistic | 1-Year | 2-Year | 3-Year | 4-Year | 5-Year | 7-Year | 10-Year | 15-Year | 20-Year | 25-Year | 30-Year |
|---|---|---|---|---|---|---|---|---|---|---|---|
| July 27, 2026 | 2.50% | 2.56% | 2.67% | 2.76% | 2.85% | 3.03% | 3.26% | 3.60% | 4.02% | 4.30% | 4.43% |
| Average | 2.81% | 3.07% | 3.28% | 3.45% | 3.61% | 3.92% | 4.28% | 4.75% | 5.01% | 5.14% | 5.19% |
| Spread to Average | -0.31% | -0.51% | -0.61% | -0.69% | -0.76% | -0.89% | -1.02% | -1.15% | -0.99% | -0.84% | -0.76% |
| 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 | 43.46% | 43.12% | 43.09% | 42.55% | 42.43% | 39.84% | 37.78% | 34.92% | 35.75% | 38.02% | 39.89% |

*Source: Bloomberg, PFM Research*

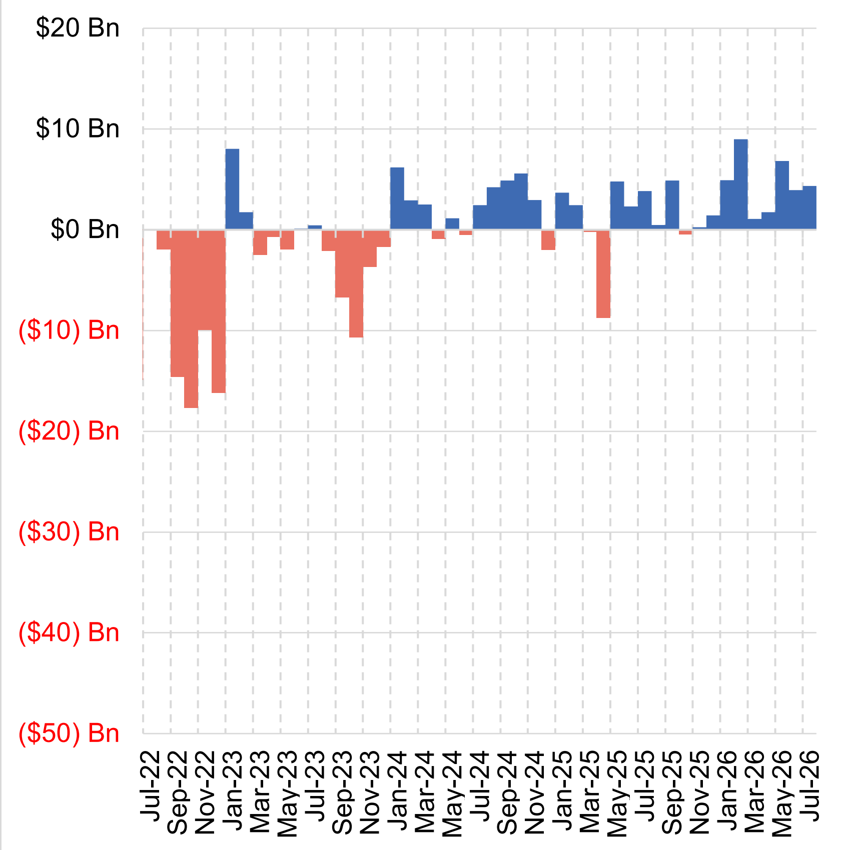
## Municipal Market Supply & Demand

- Municipal funds experienced net inflows in July. New issuance volume was up 3.62% year-over-year in June, and year-to-date new issuance volume was 5.50% higher than 2025 issuance through June.

**Overall Municipal Market Volume (Supply)**




**Municipal Fund Flows (Demand)**




*Source: Bond Buyer, Investment Company Institute*

## Interest Rate Forecasts

- Most market participants do not expect a rate cut within the next quarter.

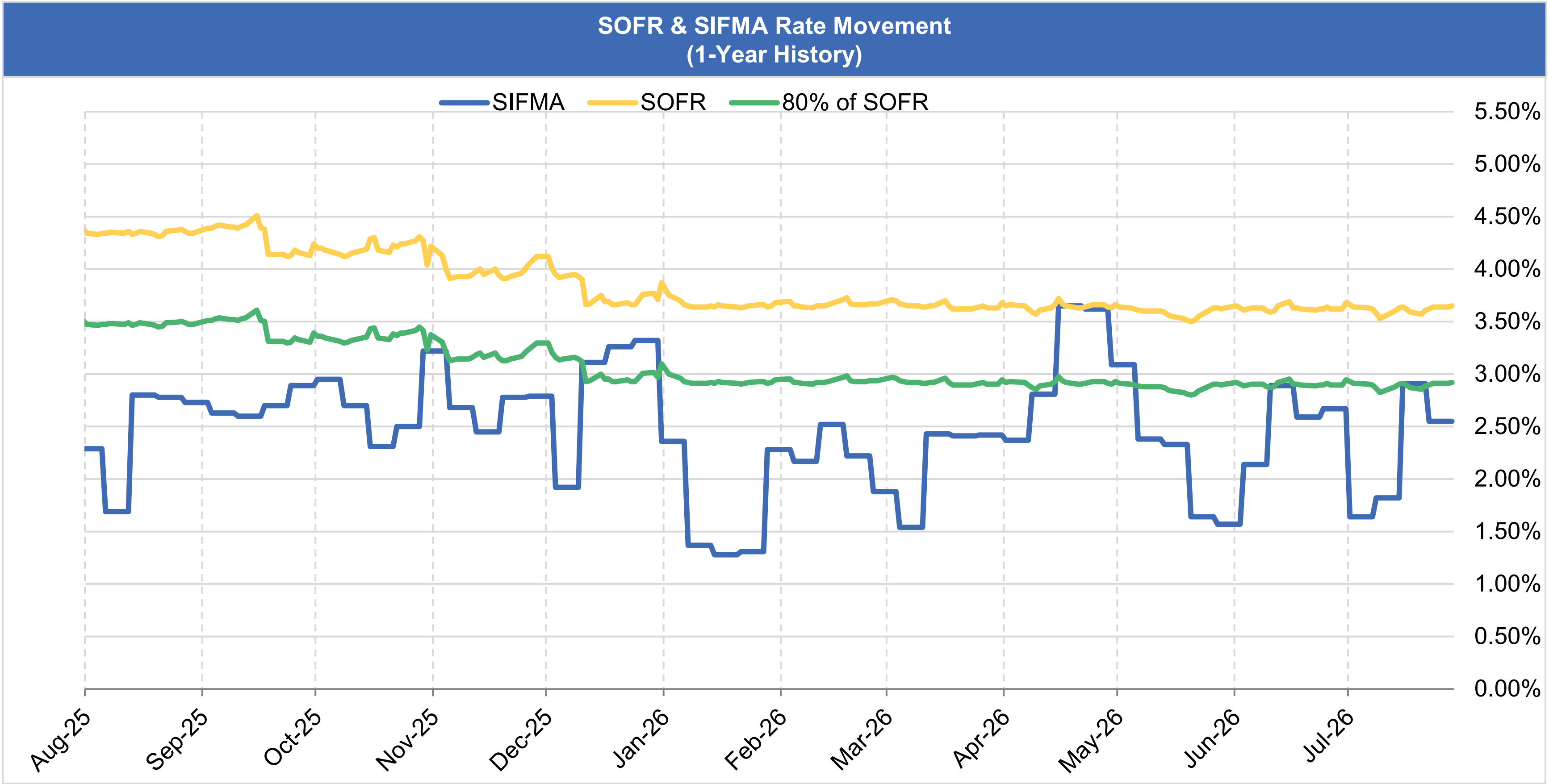
**The Street's Interest Rate Forecast (As of July 27, 2026)**

| Average Forecasts | Current | Q3 26 | Q3 Δ vs. Current | Q4 26 | Q1 27 | Q2 27 | Q3 27 | Q4 27 |
|---|---|---|---|---|---|---|---|---|
| **30-Year UST** | 5.13% | 4.95% | -0.18% | 4.93% | 4.89% | 4.86% | 4.83% | 4.83% |
| **10-Year UST** | 4.65% | 4.46% | -0.19% | 4.43% | 4.40% | 4.35% | 4.32% | 4.32% |
| **2-Year UST** | 4.32% | 4.05% | -0.27% | 3.98% | 3.89% | 3.81% | 3.75% | 3.71% |
| **3M SOFR** | 3.84% | 3.70% | -0.14% | 3.69% | 3.63% | 3.57% | 3.51% | 3.47% |
| **Fed Funds Target Rate** | 3.50% | 3.52% | 0.02% | 3.52% | 3.47% | 3.37% | 3.31% | 3.25% |
| ***Fed Funds Δ Since May Meeting*** | *0.00%* | *0.14%* | | *0.30%* | *0.34%* | *0.29%* | *0.26%* | *0.26%* |

*Source: Bloomberg*

# SOFR & SIFMA Rate Movement

- SIFMA fluctuated in July within 1.64% and 2.91%. SOFR has held relatively steady within 3.53% and 3.66% throughout July.

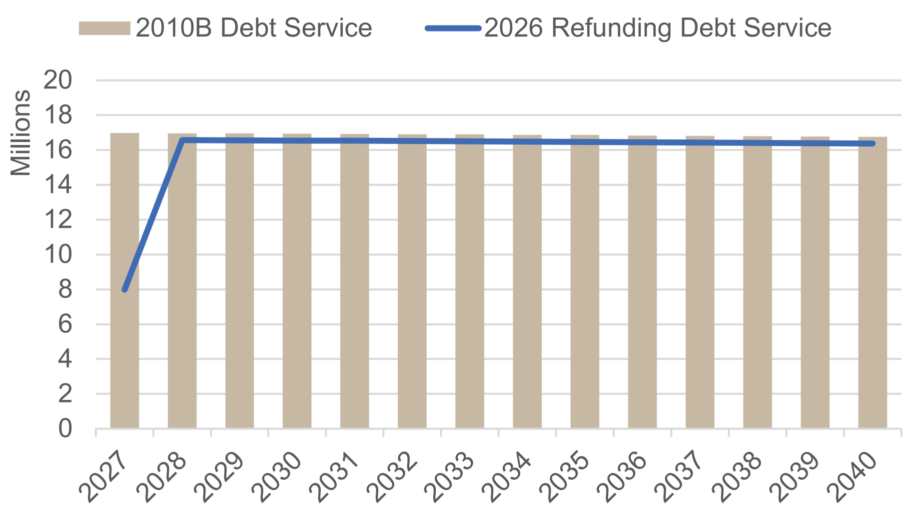



Source: Bloomberg, PFM Research

# LEC Group A 2010B BABs Refunding Update

- $168,290,000 of the Indenture Group A, Lodi Energy Center 2010B Build America Bonds (BABs) are outstanding, callable at any time using make-whole call
  - Can likely exercise “extraordinary event” call feature, allowing NCPA to refund at a lower make-whole price, due to sequestration of BAB subsidy
- At current rates, a tax-exempt refunding of the 2010B BABs generates NPV dissavings of ~$5.3 million
- Refunding debt service is lower by $18K-$23K each year through 2040, due to a release of the estimated $8.5M reserve

**NCPA LEC Group A 2010B Debt Service**




**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 |

**Refunding Statistics**

| | |
|---|---|
| Delivery Date | 11/1/2026 |
| Refunded Maturities | 2027 - 2040 |
| Par Amount of Bonds Refunded | $168,290,000 |
| Par Amount of Refunding Bonds | $158,240,000 |
| NPV Savings (Net DSRF Release and Bond Fund Contributions) | -$5,349,825 |
| NPV Savings as a % of Refunded Par | -3.18% |

*Rates as of 7/27/2026. Includes ~$17 million from prior bond funds as additional source. Savings assume reserve is invested to maturity at 4.40%. 2010B debt service shown net 33.005% BAB subsidy.*

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