Northern California Power Agency

August 2017

Finance Committee Materials – Follow up
Historical Bond Yield Forecasts
Current Bond Yield Forecast

<table>
<thead>
<tr>
<th>Average Forecasts</th>
<th>Current</th>
<th>Q3 17</th>
<th>Q4 17</th>
<th>Q1 18</th>
<th>Q2 18</th>
<th>Q3 18</th>
<th>Q4 18</th>
</tr>
</thead>
<tbody>
<tr>
<td>30-Year UST</td>
<td>2.83%</td>
<td>3.00%</td>
<td>3.17%</td>
<td>3.30%</td>
<td>3.41%</td>
<td>3.51%</td>
<td>3.61%</td>
</tr>
<tr>
<td>10-Year UST</td>
<td>2.26%</td>
<td>2.42%</td>
<td>2.58%</td>
<td>2.71%</td>
<td>2.82%</td>
<td>2.93%</td>
<td>3.09%</td>
</tr>
<tr>
<td>2-Year UST</td>
<td>1.35%</td>
<td>1.52%</td>
<td>1.70%</td>
<td>1.84%</td>
<td>2.02%</td>
<td>2.16%</td>
<td>2.33%</td>
</tr>
<tr>
<td>3M LIBOR</td>
<td>1.31%</td>
<td>1.40%</td>
<td>1.58%</td>
<td>1.76%</td>
<td>1.96%</td>
<td>2.12%</td>
<td>2.29%</td>
</tr>
<tr>
<td>Fed Funds Target Rate (Upper)</td>
<td>1.25%</td>
<td>1.25%</td>
<td>1.50%</td>
<td>1.65%</td>
<td>1.85%</td>
<td>2.00%</td>
<td>2.15%</td>
</tr>
<tr>
<td>Fed Funds Target Rate (Lower)</td>
<td>1.00%</td>
<td>1.01%</td>
<td>1.24%</td>
<td>1.38%</td>
<td>1.61%</td>
<td>1.74%</td>
<td>1.90%</td>
</tr>
</tbody>
</table>

Source: Bloomberg
30 Year Treasury Yield

- Each line in the graph below represents the 30 year treasury forecasts from historical finance committee meeting dates
  - Each forecast looks 6 quarters into the future
- The data shows that the street has continually projected gradual increases, even as the actual rate has fluctuated, edging lower

Source: Bloomberg
10 Year Treasury Yield

- Each line in the graph below represents the 10 year treasury forecasts from historical finance committee meeting dates.
- The data shows that the street has continually projected modest increases in the 10 year rate while the actual rate fluctuated, even edging lower.

Source: Bloomberg
2 Year Treasury Yield

- Each line in the graph below represents the 2 year treasury forecasts from historical finance committee meeting dates.
- The data shows that the street has continually projected steep increases in the 2 year rate, generally in line with the longer term look, yet failed to account for declining rates.

Source: Bloomberg
3 Month LIBOR

- Each line in the graph below represents the 3 Month LIBOR forecasts from historical finance committee meeting dates.
- The data below shows that the street began to project steep increases in LIBOR beginning in late 2014-early 2015, generally in line with the actual rate progression.

Source: Bloomberg
Federal Funds Target Rate

- Each line in the graph below represents the Federal Funds Target Rate forecasts from historical finance committee meeting dates.

- The data shows that the street began to project the fed to start increasing rates in the 2nd quarter of 2015 (slightly preemptive), and has expected gradual increases from that point forward, generally in line with the actual progression.

Federal Funds Target Rate Forecasts by Committee Meeting Dates

Source: Bloomberg