



Northern California Power Agency

August 2020

Finance Committee Materials

PFM Financial Advisors
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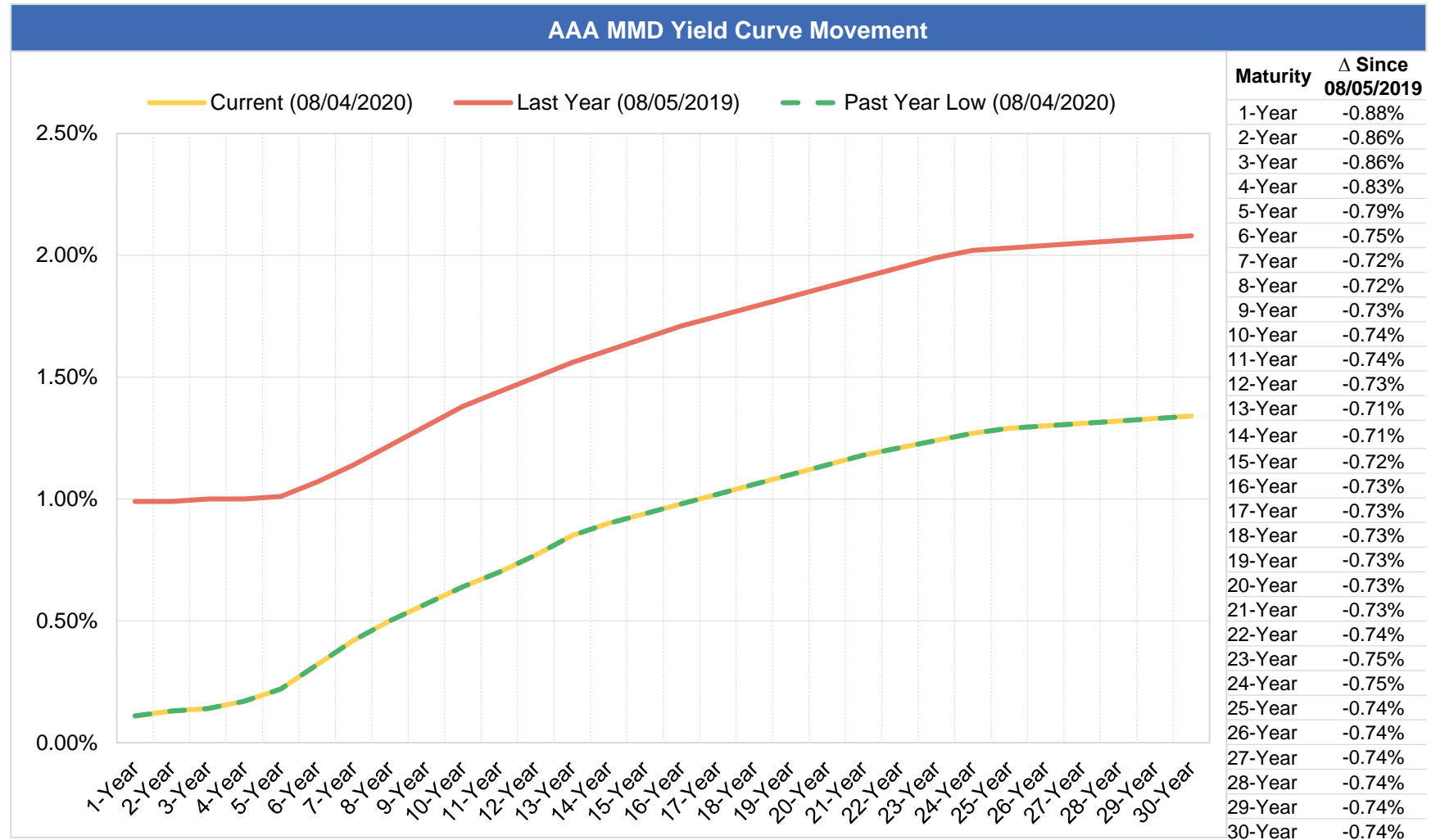


Report on Current Financial Market Conditions or Issues

Data, rates, and related statistics and charts are as of August 4, 2020, unless otherwise indicated



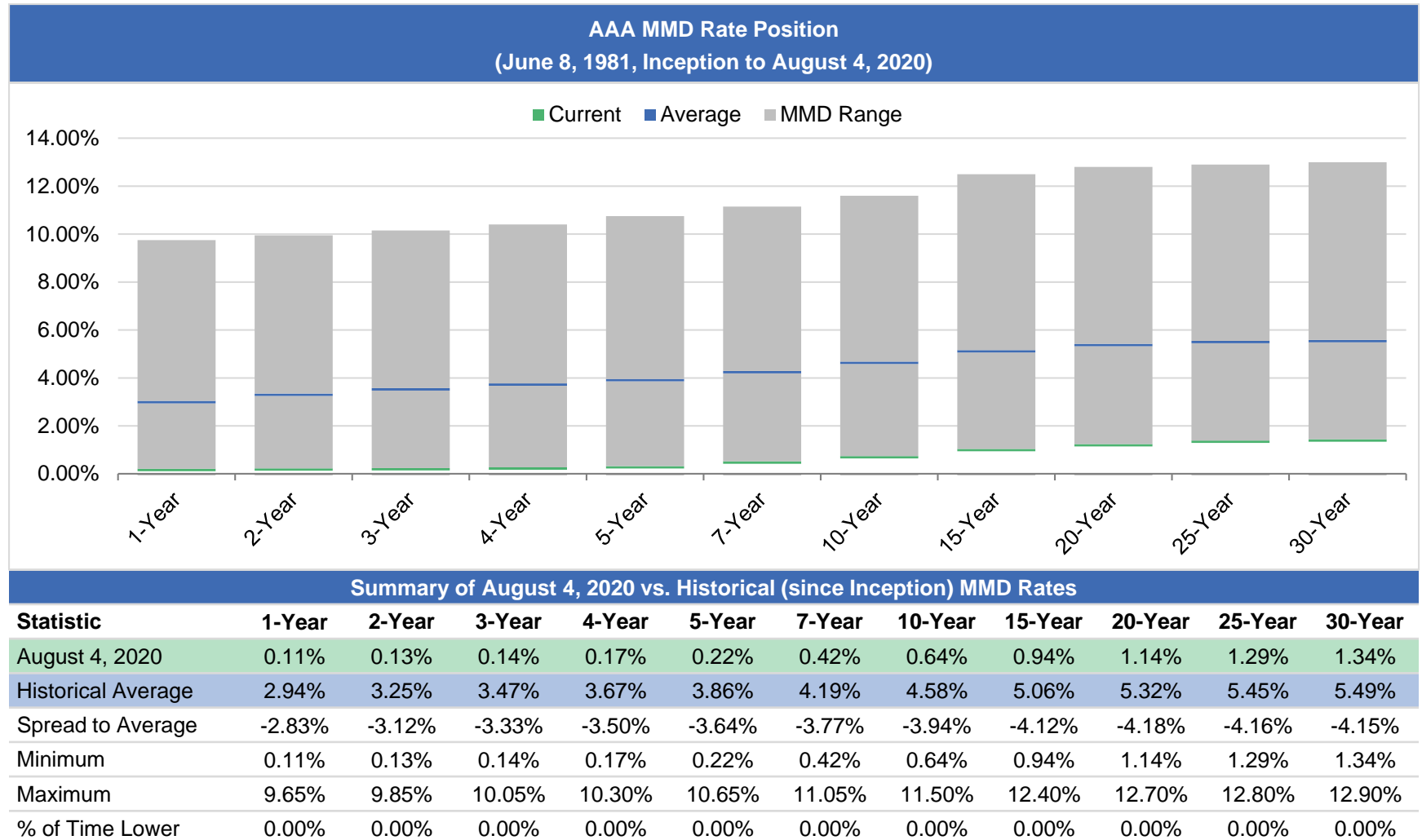
Recent AAA MMD Yield Curve Movement



Source: Thomson Reuters



AAA MMD Position Since Inception

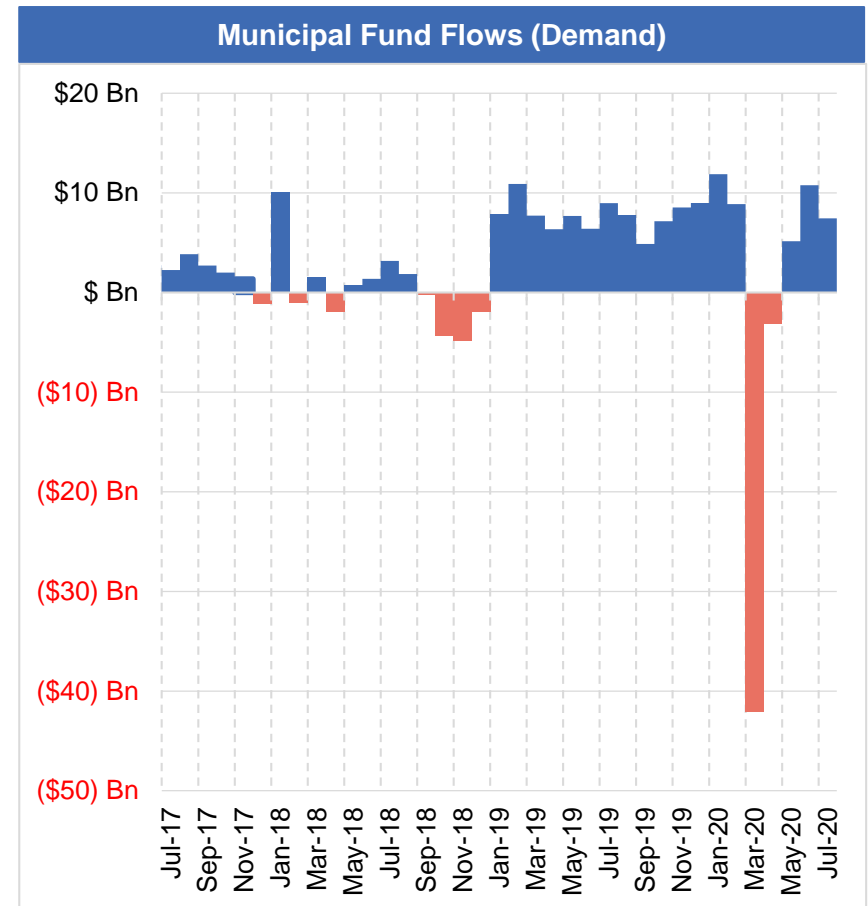
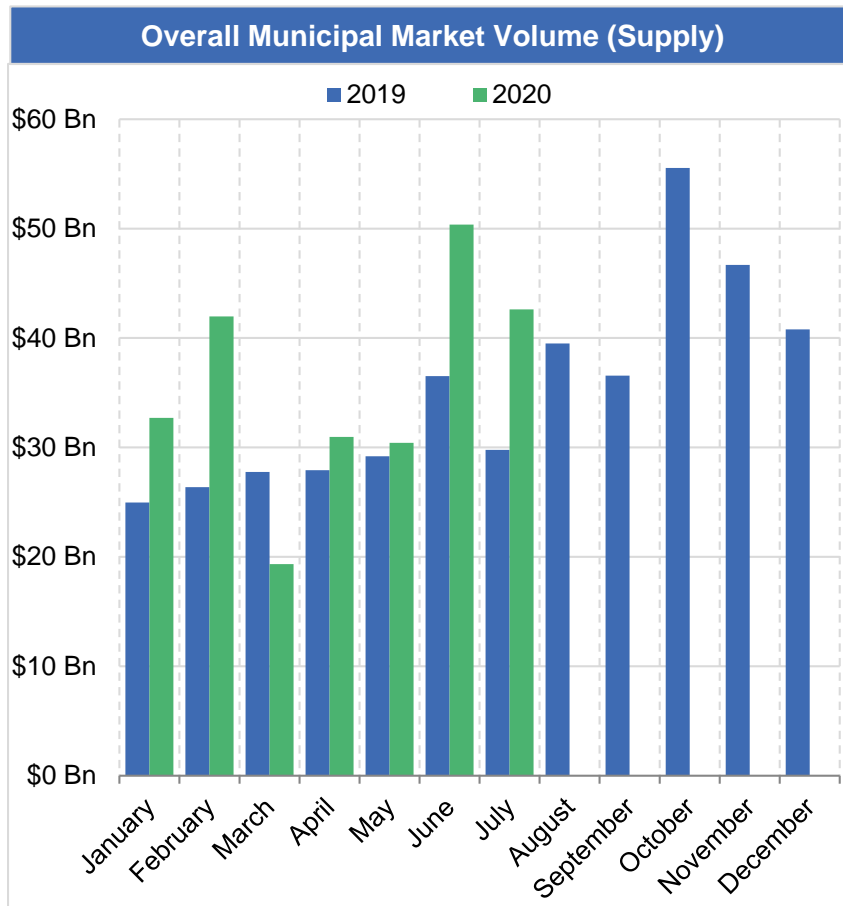


Source: Thomson Reuters



Municipal Market Supply & Demand

- New issuance volume was up by 43.10% year-over-year in July, while year-to-date new issuance volume was 22.65% higher than 2019 issuance through July.



Source: Bond Buyer, Investment Company Institute



Interest Rate Forecasts

- According to effective Fed funds futures, the market is not expecting any rate actions through January 2021.

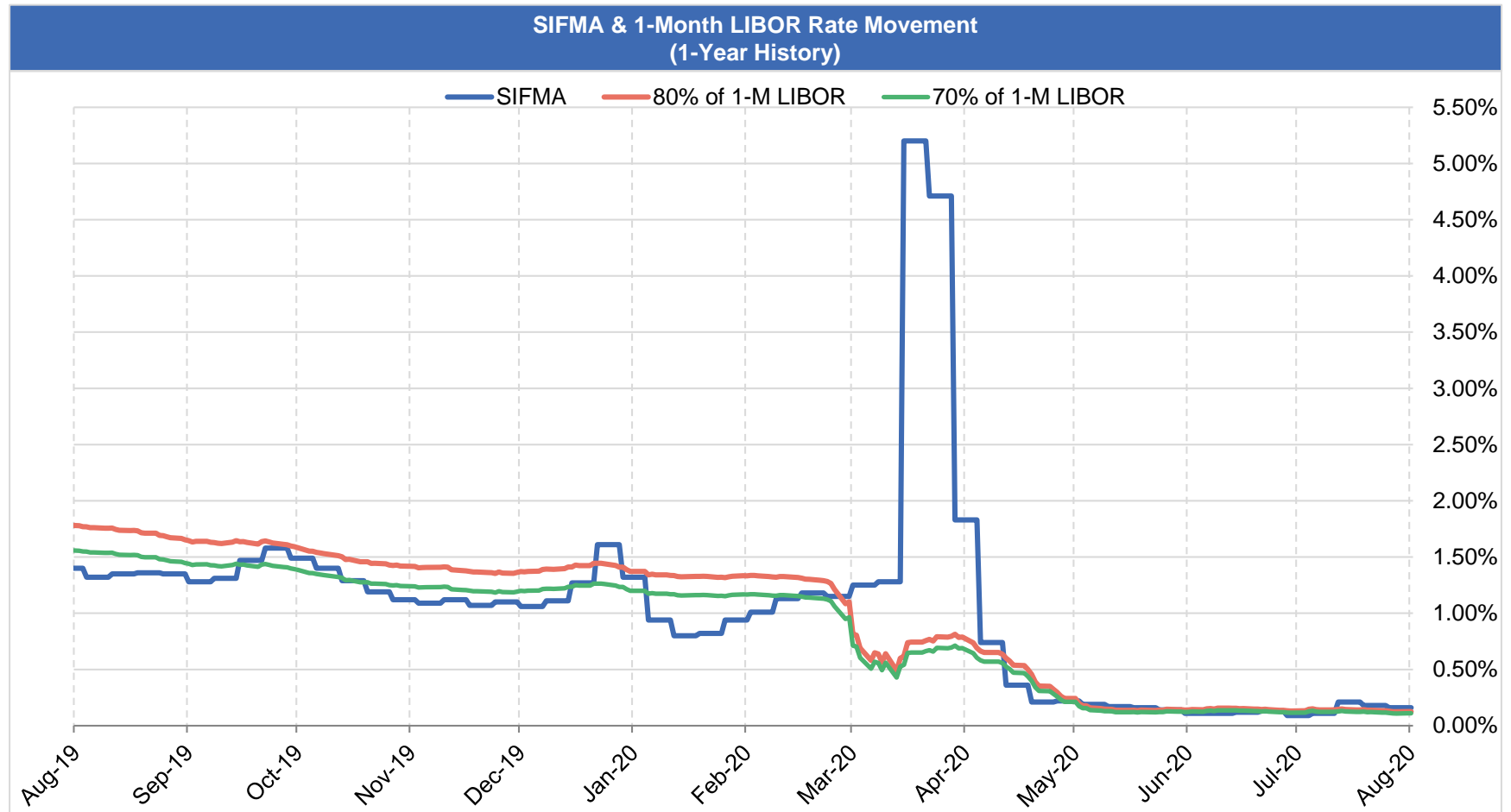
The Street's Interest Rate Forecast (As of August 5, 2020)								
Average Forecasts	Current	Q3 20	Q3 Δ vs. Current	Q4 20	Q1 21	Q2 21	Q3 21	Q4 21
30-Year UST	1.23%	1.50%	0.27%	1.57%	1.65%	1.73%	1.78%	1.89%
10-Year UST	0.54%	0.78%	0.24%	0.87%	0.96%	1.05%	1.12%	1.23%
2-Year UST	0.11%	0.25%	0.14%	0.29%	0.33%	0.39%	0.46%	0.54%
3M LIBOR	0.25%	0.32%	0.07%	0.34%	0.34%	0.35%	0.38%	0.45%
Fed Funds Target Rate	0.00%	0.01%	0.01%	0.01%	0.01%	0.04%	0.07%	0.10%

Source: Bloomberg



SIFMA & 1-Month LIBOR Rate Movement

- Following the late-March spike in rates due to the impacts of COVID-19 and subsequent Fed economic relief programs, the SIFMA Index has stabilized and remained around the 70% of LIBOR level since early May.

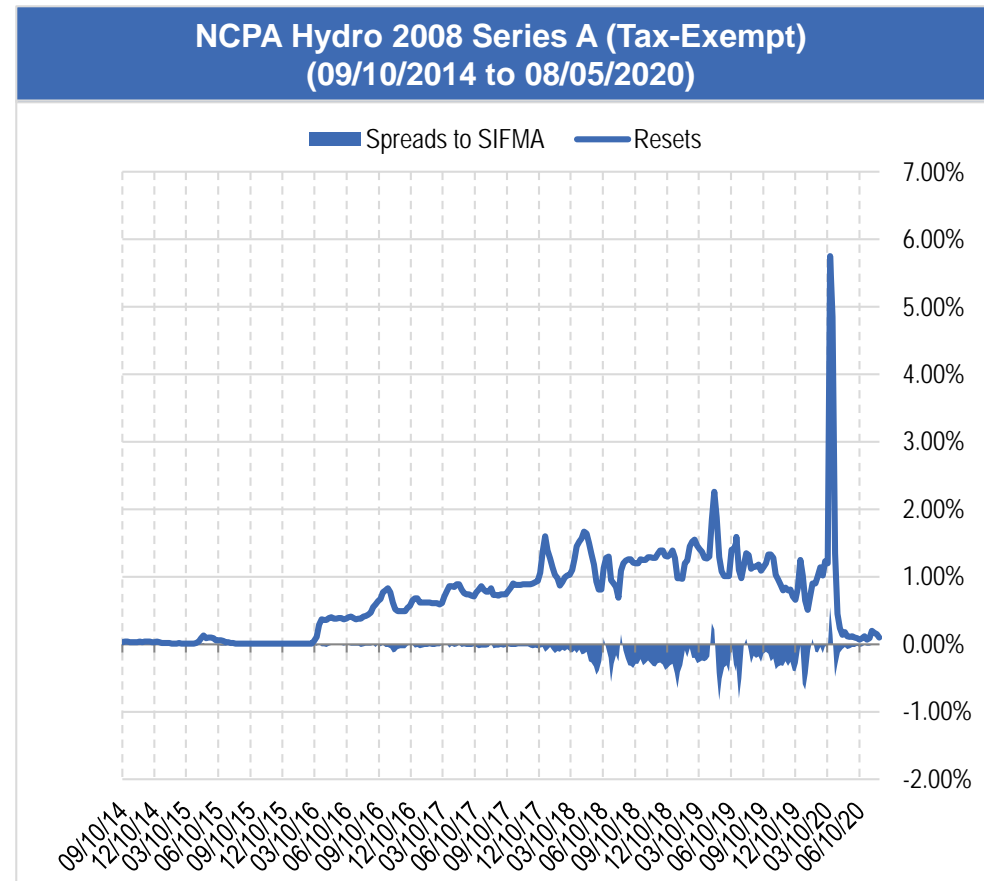


Source: Thomson Reuters



NCPA's Hydroelectric Project 2008 Series A Bonds

- Since May, the 2008A Bonds have consistently reset below 0.20% and have continued to reset better than SIFMA
- The 2008A bonds are hedged with an interest rate swap and backed by a direct-pay letter of credit agreement with Bank of America, N.A.



Key Takeaway: *The 2008A Bonds continue to reset better than SIFMA*



Hydroelectric Refunding Opportunity



Refunding the Hydroelectric 2012A Bonds

- \$76,665,000 of NCPA's Hydroelectric Project Number One Revenue Bonds, Series 2012A, is outstanding, all of which is callable on 7/1/2022
- NCPA could advance refund the 2012A Bonds on a taxable basis
- Current lobbying efforts are pushing to bring back tax-exempt advance refundings

	Taxable Advance Refunding	Hypothetical Tax-Exempt Advance Refunding
Delivery Date	11/1/2020	11/1/2020
First Interest Payment Date	1/1/2021	1/1/2021
UW Discount (\$/bond)	\$2.50	\$2.50
COI	472,780	472,780
Par	81,520,000	62,450,000
Total Escrow Deposit	84,196,639	84,196,639
NPV Savings (\$)	12,672,825	17,223,544
NPV Savings (%)	16.53%	22.47%
Arbitrage Yield	1.36%	0.49%
Negative Arbitrage	1,675,645	527,325
TIC	1.40%	0.64%
Breakeven to Current Call	118 bps	19 bps

COI of \$472,780 based off applicable rating agency and municipal advisor fees and bond counsel fees from 2019A Hydroelectric Refunding Bonds. DSRF release of \$2,077,062 included as an investment to maturity at 0.3%. NPV Savings discounted to delivery at all-in TIC. Rates as of 8/4/2020, assuming Aa3/AA- ratings and 7/1/2030 call date.

