

Swap No. 1 – Conversion

Convert From 68% 10Yr LIBOR less 36.5 bps to 68% 1 Month LIBOR

Assuming 5/13/2014 Rates:

Option	Fixed Rate	Fixed Rate Reduction	First Year Cash Flow Savings	Present Value Benefit
Current	3.224%	N/A	N/A	N/A
2-Year Conversion	1.814%	1.410%	\$552,139	\$1,055,894
3-Year Conversion	1.956%	1.268%	\$496,523	\$1,339,092
5-Year Conversion	2.195%	1.029%	\$402,703	\$1,567,254
Full Conversion	2.430%	0.794%	\$310,851	\$1,630,912
Comparison – 68% 10Yr LIBOR to 68% 1Mth LIBOR	N/A	5/2014 Rates = 1.37% Historical = 0.88%	N/A	

Note: Annual Cash Flow Savings Decrease as Swap Notional Amortizes

- The table shows the impact of converting the CMS rate (68% * 10-year LIBOR less 0.365%) back to the swaps original index of 68% of 1-month LIBOR.
 - Depending on the period picked the new fixed rate will be reduced by an amount which can be included in GRU’s budget for each year.
- Converting back to 1-month LIBOR reduces the benefit to GRU while reducing the yield curve risk in the transaction for the period picked.
- **RECOMMENDATION – Amend Swap Agreement to convert to 68% of 1-month LIBOR index for a five year conversion to lock-in lower fixed interest rate paid by GRU.**

Swap No. 2 – Conversion

Convert the CMS Rate Back to the Original Index of 68% of 1-Month LIBOR

Assuming 5/13/2014 Rates:

Option	Fixed Rate	Fixed Rate Reduction	First Year Cash Flow Savings	Present Value Benefit
Current	3.200%	N/A	N/A	N/A
2-Year Conversion	1.666%	1.534%	\$620,504	\$1,186,648
3-Year Conversion	1.819%	1.381%	\$558,532	\$1,506,356
5-Year Conversion	2.078%	1.122%	\$453,767	\$1,765,185
Full Conversion	2.328%	0.872%	\$352,913	\$1,852,154
Comparison	N/A	5/2014 Rates = 1.53% Historical = 0.82%	N/A	

Note: Annual Cash Flow Savings Decrease as Swap Notional Amortizes

- The table shows the impact of converting the CMS rate (60.36% * 10-year LIBOR) back to the swaps original index of 68% of 1-month LIBOR.
 - Depending on the period picked the new fixed rate will be reduced by an amount which can be included in GRU’s budget for each year.
- Converting back to 1-month LIBOR reduces the benefit to GRU while reducing the yield curve risk in the transaction for the period picked.
- **RECOMMENDATION** – Amend Swap Agreement to convert to 68% of 1-month LIBOR for a five-year conversion to lock-in lower fixed interest rate paid by GRU.

Swap Fees and Termination Costs

Swap No.	Counter Party	Underlying Debt	Notional Amount	Bank Bid/Offer Cost Included in Fixed Rate Reduction	Fixed Rate Reduction	NPV of Fixed Rate Reduction	External Legal and Consulting Fees	Termination (Cost) Benefit
1	Goldman	2006A	\$41.145 Million	\$65,000	1.029% (5-Year Conversion)	\$1.57 Million	\$30,000	(\$2.18M) 5/13/2014
2	JP Morgan	2005C	\$42.525 Million	\$65,000	1.122% (5-Year Conversion)	\$1.76 Million	\$30,000	(\$2.04M) 5/13/2014
3	Goldman	2007A	\$137.875 Million	\$800,000	0.700%	\$13.31 Million	\$60,000	(\$21.79M) 5/13/2014

All data as of 5/13/2014

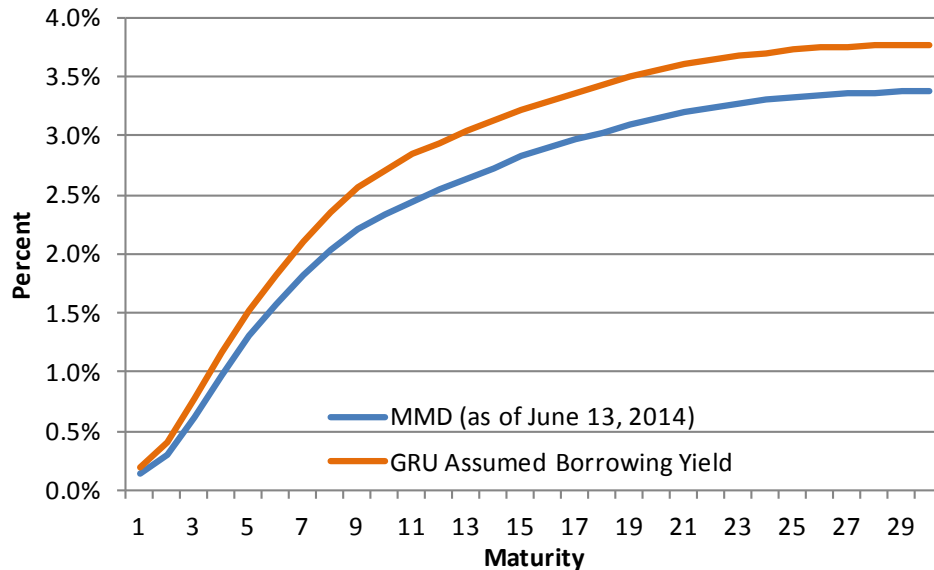
Swap Conversion Risk Comparison

Swap No.	Current Index	Current Fixed Rate	Proposed Index	Proposed Fixed Rate	Current Risks	Risks Under Proposed Conversion
1	68% 10-Year LIBOR Less 0.365%	3.224%	68% 1-Month LIBOR	2.195%	A.) Counterparty Risks B.) Cost to Unwind C.) Opportunity Cost – Favorable Market Spread May Diminish	A.) Counterparty Risks B.) Cost to Unwind C.) Favorable Market Spread Could Increase
2	60.30% 10-Year LIBOR	3.200%	68% 1-Month LIBOR	2.078%	A.) Counterparty Risks B.) Cost to Unwind C.) Opportunity Cost – Favorable Spread Could Diminish	A.) Counterparty Risks B.) Cost to Unwind C.) Favorable Market Spread Could Increase
3	SIFMA Municipal Swap Index	3.944%	68% 1-Month LIBOR	3.244%*	A.) Counterparty Risks B.) Cost to Unwind C.) Opportunity Cost – Fail to Reduce Fixed Cost by 0.7%	A.) Counterparty Risks B.) Cost to Unwind C.) Tax Laws Could Change Creating Mismatch to Underlying Variable Rate Debt

*Market currently not at this rate, would convert only if market improves to provide this lower fixed rate.

MMD and GRU's Estimated Yield curve

Rates as of June 13, 2014



Year	"AAA" MMD	GRU's Spread to "AAA" MMD	Estimated Yield
1	0.140%	5 bps	0.19%
5	1.300%	22 bps	1.52%
10	2.330%	38 bps	2.71%
15	2.820%	40 bps	3.22%
20	3.150%	40 bps	3.55%
25	3.320%	40 bps	3.72%
30	3.370%	40 bps	3.77%

- The MMD Yield Curve is a high grade municipal yield curve published daily by Municipal Market Data.
- It is one of the most commonly used benchmarks in municipal finance.
- The yields within the curve reflect the current yields for each maturity year at which bondholders would likely to sell high quality (AAA rated) general obligation backed bonds.
 - The yield curve is typically influenced by new issuances in the primary market as well as post-issuance trading in the secondary market.
- Municipal bonds (like GRU issues) typically trade at a "spread to AAA MMD", meaning the difference between the yield in a specific year of a bond issue and the respective yield in the MMD Yield Curve.
 - Spreads vary over time based on market conditions and investor preferences