Sent VIA Electronic Mail at RBrooks@cintra.us

November 4, 2020

Ms. Rebecca Brooks
Capital Express Mobility Partners
9600 Great Hills Trail, Suite 250 E
Austin, TX 78759

RE: I-495 & I-270 P3 Program Preliminary Toll Rates

Dear Ms. Brooks:

The Maryland Transportation Authority (MDTA) has the responsibility under Maryland law to fix, revise, and set toll rates in accordance with the Transportation Article §4-312 of the Annotated Code of Maryland and Code of Maryland Regulations (COMAR) Title 11 Department of Transportation, Subtitle 07 MDTA, Chapter 05 Public Notice of Toll Schedule Revisions (11.07.05) for the I-495 & I-270 P3 Program. As a partner in the I-495 & I-270 P3 Program, the MDTA is beginning the toll rate setting process, which includes a toll rate proposal presented by MDTA staff to the MDTA Chairman and Board (Board), followed by a public comment period and hearings, and concluded with a final toll rate recommendation to the MDTA Board for approval. The MDTA staff anticipates presenting the toll rate proposal to the Board in Spring 2021. For your convenience, attached is a detailed description of the toll rate setting process.

Maryland law requires the establishment of a toll rate range for variably priced facilities, including dynamic pricing such as managed lanes. Managed lanes would provide a choice for drivers to use when they need them most, not for everyday use. Most drivers who use managed lanes only use a portion of the tollway and do not travel the entire length. Another benefit to managed lanes is that congestion in the general-purpose lanes is often relieved due to the disbursement of traffic. With dynamic pricing, tolls are continually adjusted according to traffic conditions in order to maintain a free-flowing level of traffic. The toll rate range is being evaluated to be set at a level that will meet the goal of providing customers who choose to pay a toll to use managed lanes a faster and more reliable trip and traffic congestion relief in one of the most congested corridors in the country without taxpayer contributions. The toll rate setting process also includes the establishment of any discounts, including High Occupancy Vehicle (HOV) reduced or free toll designations. Specifics regarding the MDTA staff's preliminary toll proposal are included as an attachment.

The MDTA, through future action of the Executive Director, also anticipates establishing a soft rate cap and operational metrics for this dynamically priced facility. The purpose of the soft rate cap, which is not required by law, is to constrain the toll rate charged to customers when throughput and speed performance targets will not otherwise be achieved. The soft rate cap may only be exceeded during times of deteriorating performance based on the established operational metrics when a controlled rate increase above the soft rate cap, but within the toll rate range established by the MDTA, will be permitted only until the throughput and speed performance targets are achieved by customers. The attachment also includes MDTA's current thinking of a potential soft rate cap and operational metrics to meet the goal noted above. As a potential Developer for Phase 1 of the I-495 & I-270 P3 Program with insight that may prove valuable, the MDTA staff is providing you an opportunity to provide feedback on its preliminary staff toll proposal and our current thinking on the soft rate cap and operational metrics. This feedback may be used in the final toll proposal to be presented to the MDTA Board.

In order to preserve the integrity of the toll rate setting process, any exchange of information between you and the MDTA must occur as follows:

- All communications shall be in writing and directed solely to the MDTA;
- All information provided will not be confidential and under no circumstances may confidentiality be assumed even if communications are so labeled;
- No proprietary information will be accepted;
- No information provided to the MDTA will be redacted when disclosed as part of the public hearing process; and
- All communications and information shared will become public as part of the toll hearing process and disclosed in full, without redaction.

The MDTA staff will seriously consider any feedback provided. However, in order to consider the feedback received, a detailed explanation will be needed. If the feedback includes a suggested change to the maximum toll rate per mile, minimum toll rate per mile, or soft cap rate per mile, an analysis of impacts to average toll rates and volumes along the corridor by time period and impacts to financial feasibility is needed. If the feedback is that the maximum toll rate per mile or soft cap rate per mile is too low, the frequency in which you would expect to bump up against the rates over time as well as a narrative of analysis assumptions and process is needed. The MDTA staff recognizes the format in which information can be shared is very structured. This structured approach is designed to preserve the legal integrity of the toll rate setting process, which requires absolute transparency to the public, and not to limit feedback. Feedback should be emailed to my attention no later than November 18, 2020, at desharpless@mdta.state.md.us. We ask that you treat the information shared by the MDTA staff as confidential until a final toll proposal is presented by the MDTA staff to the MDTA Board.

It is important to note that the MDTA toll rate setting process is separate and distinct from the National Environmental Policy Act (NEPA) process. No commitment will be made to any alternative under evaluation in the NEPA process, including the no-build alternative, as part of the toll rate range setting process.

The information contained in this letter represents MDTA's preliminary staff proposal that will later be finalized and provided to the MDTA Board, and MDTA's current thinking on the soft rate cap and operational metrics. Should the MDTA revise its preliminary staff proposal or thinking on the soft rate cap and operational metrics, I will notify you of the revisions. This letter should not be interpreted as representing (a) MDTA staff's final staff proposal or official recommendation to the MDTA Board in any respect related to this matter, (b) the basis upon which the MDTA Board will approve the tolling plan, or (c) any action that may or may not be taken by the MDTA Executive Director. As a matter of Maryland law, the MDTA is required to comply with a statutory toll rate setting process, which includes public hearings. Only after the statutorily required public toll hearing process has concluded will the MDTA Board consider the tolling plan for final action and approve a tolling plan, having received input from the public and conducted an open, transparent public process.

Thank you for your continued interest in the I-495 & I-270 P3 Program. If you have any questions or comments regarding this letter, please contact me via email.

Sincerely,

Deborah Sharpless, CPA
Chief Financial Officer

Attachments

- Toll Rate Setting Process
- Preliminary Tolling Proposal and Soft Rate Cap and Operational Metrics

Toll Rate Setting Process

The toll hearing process is centered around a proposal by the MDTA staff to "adopt[s] an increase in mileage rate ranges, pricing periods, toll zones, fees, or other charges on a variably priced toll transportation facilities project." To ensure the public is engaged with information in the toll setting process and to ensure compliance with State law, the MDTA will provide an opportunity for public review and comment on the proposed changes at one or more meetings held at a time and place of convenience to the public in each county in which the changes are proposed to be implemented.

Hearing Announcement

The proposals need to be presented at an MDTA Board Meeting to obtain approval from the Board to proceed with holding the public hearings. At this Board Meeting, the background and justification for the toll rate range (minimum and maximum), soft cap, and discounts are presented to the Board, as well as the process required for completing the hearings. At this time, the Board is not voting on the information being presented. Instead, the Board is only voting to proceed to public hearings. It may be necessary to have multiple open Board Member working session(s) after the initial presentation to allow additional time for the Board Members to understand and digest the proposals. Once the information has been presented to the Board, it is publicly available.

Hearing Process

The process for conducting the public hearings and recording the comments from the public are specified in Transportation Article, §4-312, Annotated Code of Maryland. Here are the steps of the process:

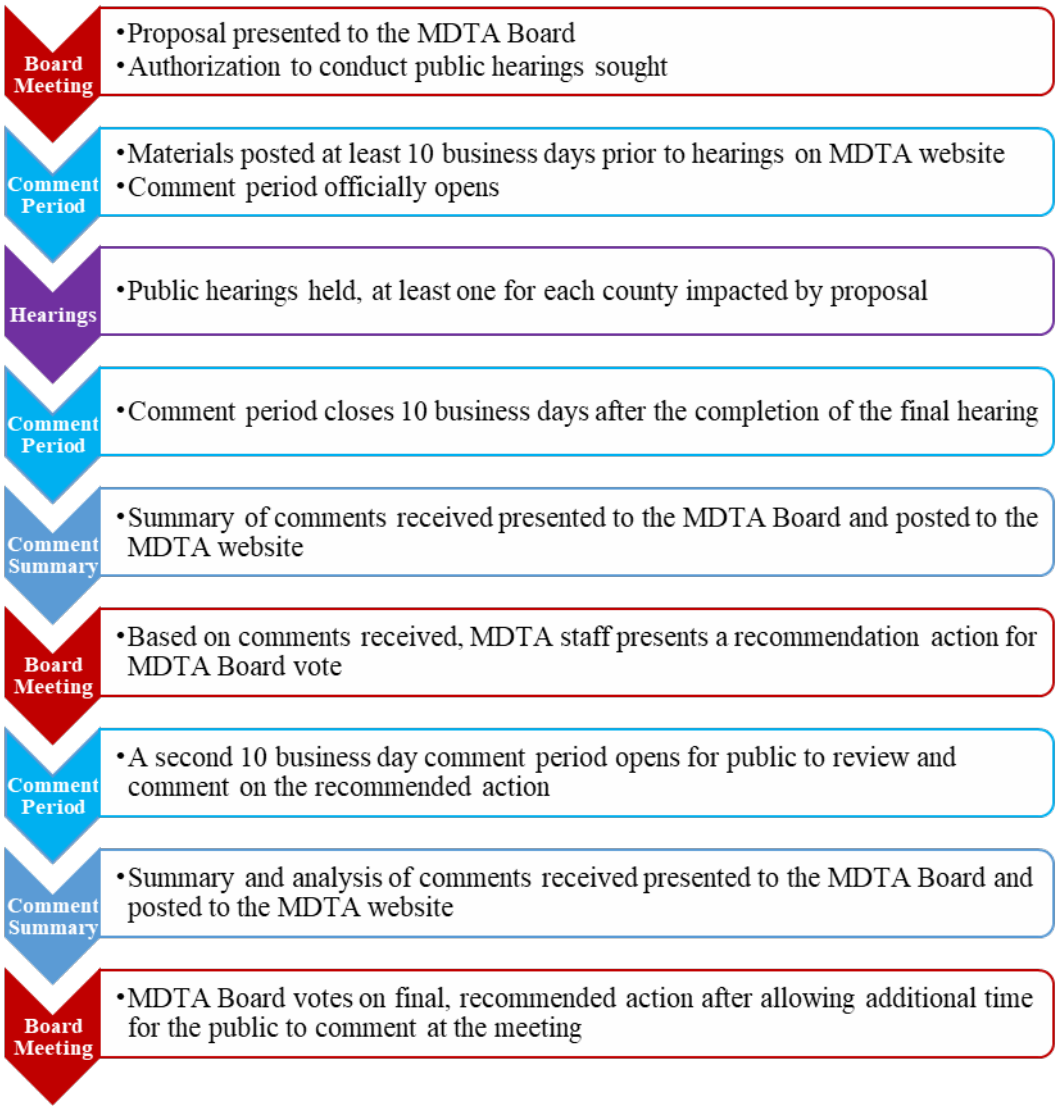
- All hearing materials and supporting documents, including information and studies used in the analysis to justify the changes, need to be posted on the MDTA website at least 10 business days prior to the first scheduled public hearing.
- MDTA needs to provide an opportunity for public review and comment on the proposed changes at one or more meetings held at a time and place of convenience to the public in each county in which the change is proposed to be implemented.
- The hearings require a quorum of Board Members to attend each meeting (minimum 5), and the Chairman or his designee.
- After the completion of the last public hearing, MDTA will continue to accept written comments from the public for at least an additional 10 business days. At this point, the comment period can be closed. The comment period will be open for as long as it takes to conduct the hearings, plus ten business days before and after the hearings are held.
- Following the close of the comment period, MDTA is required to present a summary and analysis of the comments received to the Board Members, and to the public via the MDTA website.

Post-Hearing Process

The process for finalizing the proposed toll changes is also specified in Transportation Article, §4-312, Annotated Code of Maryland. After the public hearings are conducted, a recommendation on the proposals is presented to the Board Members by MDTA staff and to the public via the MDTA website. Here are the steps of the post-hearing process:

- Prior to the MDTA Board vote on the recommended proposal, MDTA is required to provide an additional opportunity for public review and written comment on the final recommendation.
- The recommendation and the time, place, and date of the MDTA Board vote on the recommendation, is posted to the MDTA website. MDTA must accept written comments for at least ten additional business days.
- At the completion of the second public comment period, a summary and analysis of any public comments received must be posted to the MDTA website and presented to the Board Members.
- At this point, the MDTA Board may vote on the recommendation; however, before voting, the MDTA Board must provide the public reasonable time to comment on the recommendation before the vote.

Toll Setting Flowchart



Preliminary Toll Proposal and Soft Rate Cap and Operational Metrics

Minimum Toll Rates

1. Minimum toll rate ($/mile): The minimum toll rate is the minimum toll rate per mile that must be charged on the facility and is set by the MDTA Board. Preliminary minimum toll rates have been set such that they are sufficient to at least cover MDTA's back office costs that will be incurred to collect tolls.

Vehicle type	Payment type	Preliminary minimum toll rate (2021$/mile)	Notes
Passenger Vehicle (2-axle)	Electronic Toll Collection (ETC)	$0.20	Minimum toll also subject to $0.50 per trip minimum
Motorcycle[1]		$0.10	
3-axle Light		$0.30	
3-axle Heavy		$0.40	
4-axle Light		$0.51	
4-axle Heavy		$0.61	
5-axle		$1.21	
6+-axle		$1.52	
Passenger Vehicle (2-axle)	Unregistered Video[2,3]	$0.30	Minimum toll also subject to $0.75 per trip minimum
Motorcycle[1]		$0.15	
3-axle Light		$0.46	
3-axle Heavy		$0.61	
4-axle Light		$0.76	
4-axle Heavy		$0.91	
5-axle		$1.82	
6+-axle		$2.28	
Passenger Vehicle (2-axle)	Pay-by-Plate (PBP / registered video)	$0.25	Minimum toll also subject to $0.63 per trip minimum
Motorcycle[1]		$0.13	
3-axle Light		$0.38	
3-axle Heavy		$0.50	
4-axle Light		$0.64	
4-axle Heavy		$0.76	
5-axle		$1.51	
6+-axle		$1.90	

[1]NEPA build alternatives that include HOV3+ free travel on the managed lanes also assume motorcycles would travel for free
[2]Total unregistered video surcharge (difference between ETC toll and unregistered video toll amount) cannot exceed $15 per trip
[3]Customers can receive an early payment discount of 15% off their toll up to $5 for unregistered video trips if paid before notice is mailed
Note: Mass transit and over the road buses shall be provided free travel.

2. Minimum toll rate escalation factors: The minimum toll rate escalation factors determine the annual adjustment to the minimum toll rates in each year. Minimum toll rate and minimum toll per trip would be escalated annually with the consumer price index to cover potential increases to collect tolls by MDTA. The escalation adjustment will take effect on July 1 of each year of operations, based on the CPI observed from January of that year.

The minimum toll rate in any given year would be calculated as follows:

$$\boldsymbol{Rate_x = Rate_{2021} * CPI_x / CPI_{2021}}$$

Where:

$Rate_x$ = minimum toll rate in year x

$Rate_{2021}$ = minimum toll rate established in the 2021 toll setting

CPI_x = consumer price index in January of year x

CPI_{2021} = consumer price index in January 2021

The consumer price index would be the CPI-U (Washington Metro) for all items, designated by the United States Bureau of Labor Statistics under the code CUURS35ASA0.

3. Toll rate base year: For toll rates, the base year for escalation is 2021.

Maximum Toll Rate

1. Maximum toll rate ($/mile): The maximum toll rate is the highest toll rate per mile that can be charged on the facility and is set by the MDTA Board. Toll rates will be set dynamically considering traffic on the facility and pricing needed to provide customers who choose to pay a toll a faster and more reliable trip. The actual toll rates will be responsive to real-time traffic. These maximum toll rates are established as the ceiling over the long-term P3 agreement (approximately 50 years).

Vehicle type	Payment type	Preliminary maximum toll rate (2021$/mile)
Passenger Vehicle (2-axle)	ETC	$3.76
Motorcycle[1]		$1.88
3-axle Light		$5.64
3-axle Heavy		$7.53
4-axle Light		$9.41
4-axle Heavy		$11.29
5-axle		$22.58
6+-axle		$28.22
Passenger Vehicle (2-axle)	Unregistered Video[2,3]	$5.64
Motorcycle[1]		$2.82
3-axle Light		$8.47
3-axle Heavy		$11.29
4-axle Light		$14.11
4-axle Heavy		$16.93
5-axle		$33.86
6+-axle		$42.33
Passenger Vehicle (2-axle)	Pay-by-Plate (PBP / registered video)	$4.70
Motorcycle[1]		$2.35
3-axle Light		$7.05
3-axle Heavy		$9.41
4-axle Light		$11.76
4-axle Heavy		$14.11
5-axle		$28.23
6+-axle		$35.28

[1]NEPA build alternatives that include High Occupancy Toll lanes with HOV3+ free travel also assume motorcycles would travel for free
[2]Total unregistered video surcharge (difference between ETC toll and unregistered video toll amount) cannot exceed $15 per trip
[3]Customers can receive an early payment discount of 15% off their toll up to $5 for unregistered video trips if paid before notice is mailed
Note: Mass transit and over the road buses shall be provided free travel.

2. Maximum toll rate escalation factors: The maximum toll rate escalation factors determine the annual adjustment to the maximum toll rate in each year. The reason for this adjustment is to ensure the toll rate can keep up with demand and inflation and meet its purpose of providing customers who choose to pay a toll a safer, faster and more reliable driving experience. The maximum toll rate escalation factors are set by the MDTA Board. The escalation factors include 1.1% per annum population and employment real growth rate and a 1.0% per annum per capita personal income real growth rate PLUS annual consumer price index inflation. The escalation adjustment will take effect on July 1 of each year of operations, based on the CPI observed from January of that year. The maximum toll rate in any given year would be calculated as follows:

$$Rate_x = Rate_{2021} * (1 + 1.1\% + 1.0\%)^{(x - 2021)} * CPI_x / CPI_{2021}$$

Where:

$Rate_x$ = maximum toll rate in year x

$Rate_{2021}$ = maximum toll rate established in the 2021 toll setting

CPI_x = consumer price index in January of year x

CPI_{2021} = consumer price index in January 2021

The consumer price index would be the CPI-U (Washington Metro) for all items, designated by the United States Bureau of Labor Statistics under the code CUURS35ASA0.

Soft Rate Cap

1. Soft rate cap ($/mile): The soft rate cap is the rate that can only be exceeded during times of deteriorating performance and when necessary to provide customers who choose to pay a toll a faster and more reliable trip at or above 45 miles per hour (mph). Traffic volume experienced at a gantry point must exceed certain limits and average speeds drop below 50 mph during a five-minute period for the soft rate cap to be exceeded. The soft rate cap is set by the MDTA Executive Director.

Vehicle type	Payment type	Preliminary soft rate cap
Passenger Vehicle (2-axle)	ETC	$1.50
Motorcycle[1]		$0.75
3-axle Light		$2.25
3-axle Heavy		$3.00
4-axle Light		$3.75
4-axle Heavy		$4.50
5-axle		$9.00
6+-axle		$11.25

Passenger Vehicle (2-axle)	Unregistered Video[2,3]	$2.25
Motorcycle[1]		$1.13
3-axle Light		$3.38
3-axle Heavy		$4.50
4-axle Light		$5.63
4-axle Heavy		$6.75
5-axle		$13.50
6+-axle		$16.88
Passenger Vehicle (2-axle)	Pay-by-Plate (PBP / registered video)	$1.88
Motorcycle[1]		$0.94
3-axle Light		$2.81
3-axle Heavy		$3.75
4-axle Light		$4.69
4-axle Heavy		$5.63
5-axle		$11.25
6+-axle		$14.06

[1]NEPA alternatives that include HOV3+ free travel on the managed lanes also assume motorcycles would also travel for free
[2]Total unregistered video surcharge (difference between ETC toll and unregistered video toll amount) cannot exceed $15 per trip
[3]Customers can receive an early payment discount of 15% off their toll up to $5 for unregistered video trips if paid before notice is mailed
Note: Mass transit and over the road buses shall be provided free travel.

2. Soft rate cap escalation factors: The soft rate cap escalation factors determine the annual adjustment to the soft rate cap rate in each year. The reason for this adjustment is to ensure the toll rate can keep up with demand and inflation and meet its purpose of providing customers who choose to pay a toll a safer, faster and more reliable driving experience. The soft rate cap escalation factors are set by the MDTA Executive Director. The soft rate cap escalation factors include a 1.1% per annum population and employment real growth rate and a 1% per annum per capita personal income real growth PLUS annual consumer price index inflation. The escalation adjustment will take effect on July 1 of each year of operations, based on the CPI observed from January of that year. The soft rate cap in any given year would be calculated as follows:

$$Rate_x = Rate_{2021} * (1 + 1.1\% + 1.0\%)^{(x - 2021)} * CPI_x / CPI_{2021}$$

Where:

$Rate_x$ = soft rate cap in year x

$Rate_{2021}$ = soft rate cap established in the 2021 toll setting

CPI_x = consumer price index in January of year x

CPI_{2021} = consumer price index in January 2021

The consumer price index would be the CPI-U (Washington Metro) for all items, designated by the US Bureau of Labor Statistics under the code CUURS35ASA0.

3. Soft rate cap mechanism: The soft cap mechanism is the means by which the Section Developer can exceed the soft cap rate to ensure customers who choose to pay a toll a safer, faster and more reliable driving experience. The soft rate cap mechanism is determined by the MDTA Executive Director.

- During operations of the facility, the toll rate at a gantry cannot exceed the soft rate cap unless the average traffic volume measured at that gantry over the preceding five-minute period exceeds a threshold of 1,650 passenger car equivalent vehicles per hour per lane (PCEphpl) and average speed measured at that gantry over the preceding five-minute period is below 50 miles per hour (mph).
- If the average traffic volume measured at a gantry exceeds 1,650 PCEphpl and average speed measured at a gantry is below 50 mph over the preceding five-minute period, toll rates charged at that gantry can exceed the soft cap rate up to a revised toll rate cap. In these instances, the revised toll rate cap for that gantry will be calculated by multiplying the prior revised toll rate cap (which may be the soft rate cap) by a demand factor between 1.00 and 1.25 as described below:

Revised Toll Rate Cap = prior Revised Toll Rate Cap * Demand Factor

- The demand factor to adjust the revised toll rate cap at a gantry will correspond to the applicable average traffic volume below or average speed level measured at that gantry over the preceding five-minute period (to the extent that change due to average speed takes precedence over change due to average traffic volume):

Average Traffic Volume (PCEphpl)	Demand Factor
Greater than or equal to 1,650 and less than 1,700	1.05
Greater than or equal to 1,700 and less than 1,750	1.10
Greater than or equal to 1,750 and less than 1,800	1.15
Greater than or equal to 1,800 and less than 1,850	1.20
Greater than or equal to 1,850	1.25

- If the average traffic volume measured at a gantry is below 1,650 PCEphpl, and the average speed is at or above 50 mph, the revised toll rate cap will be calculated by multiplying the prior revised toll rate cap by a demand factor of 0.9 until the revised toll rate cap equals the soft cap rate.
- The time interval for altering the revised toll rate cap at a gantry should be once every 5 minutes to ensure rates change in response to traffic or speed levels at the gantry, and the allowed change should be controlled by demand factors for observed levels of traffic in excess of the threshold.

Discounts

1. The toll rates above would apply to all NEPA build alternatives, assuming HOV 3+ free for relevant alternatives. Mass transit and over the road buses shall be provided free travel for all NEPA build alternatives.