Ohio Turnpike Commission

REPORT AND RECOMMENDATION OF NEW TOLL RATE SCHEDULES

I. INTRODUCTION

The Ohio Turnpike Commission (OTC) is replacing its aging toll collection system with one that will provide for electronic tolling in the form of ***E-ZPass®***, a long-requested customer service, which will replace the current OTC Ready Toll and Commercial Charge Card Programs. A major goal of the new system is that it will be a sustainable and adaptable system that can transition the OTC into future technology.

The OTC Staff continues to work diligently to ensure the timely implementation of electronic tolling (***E-ZPass®***) in the fourth quarter, 2009. In preparing for the advent of ***E-ZPass®***, the OTC's Board of Commissioners adopted a Revised Strategic Plan on August 20, 2007 proposing to change the vehicle classification system used to assess tolls from the current system of classifying vehicles by their weight to a system that classifies vehicles based upon the number of axles and height over the first two axles. (Tolls are then assessed based on the vehicle classification and distance traveled). This change in the methodology utilized to classify vehicles also requires a significant change in the corresponding toll rates charged by the OTC.

The OTC's decision to restructure toll rates is being made at a time when the national economy and high fuel prices have had a negative impact on the traffic volumes and corresponding toll revenues. The OTC has also experienced increased costs with respect to rising fuel prices, utilities, maintenance equipment, construction materials and employment costs. The OTC continues to suffer a loss in its purchasing power by virtue of the fact that the Consumer Price Index has increased by almost 31% since 2000, while the OTC's revenues have increased by only 1.5% during this period. Despite these cost increases and the fact that the Ohio Turnpike's toll rates for commercial vehicles are among the lowest in the country, the OTC continues to strive to maintain its facilities in very good repair and also to provide high quality services demanded by toll paying customers. The OTC has taken numerous steps to help manage these cost increases, however, future capital projects and infrastructure needs must be factored into the adoption of the revised schedules of toll rates.

In an effort to attract increased commercial truck traffic to the Turnpike from parallel routes in the vicinity of the Turnpike, the OTC, at the request of then-Governor Bob Taft, reduced toll rates for vehicles weighing from 23,001 pounds to 90,000 pounds on a temporary basis for the 18-month period from January 1, 2005 through June 30, 2006. To help offset the lost toll revenue expected to result from these temporary toll rate reductions and to recognize the anticipated reduction in truck traffic on parallel routes, the Ohio Department of Transportation (ODOT) agreed to purchase Turnpike capacity in the amount of $1.3 million per month, or a total of $23.4 million for this 18-month period. At its meeting on February 23, 2006, the OTC voted to extend the temporary reduction in toll rates for an additional six months from July 1, 2006 through December 31, 2006, knowing that ODOT's purchase of Turnpike capacity would not continue beyond June 30, 2006. At its meeting on December 18, 2006, the OTC adopted new toll rates that became

effective January 1, 2007. These new rates represent an increase over the previous rates of one-half cent per mile for passenger cars and other vehicles weighing up to 23,000 pounds, and an increase over the temporary rates of approximately one cent per mile for commercial trucks and other vehicles weighing from 23,001 pounds up to 90,000 pounds. The net result is that toll rates for vehicles weighing over 33,000 pounds were reduced to rates that are lower than they were in 1999. As an example, the toll rate for vehicles weighing over 65,000 pounds was reduced by approximately 4 cents-per-mile from the 1999 rate. Prior to the temporary reduction of toll rates in 2005, the OTC had implemented only two toll rate increases in the last 50 years. As shown in the chart below, the toll rate for Class 1 passenger cars has increased by only 242% and truck rates have increased an average of only about 100% since 1955. In contrast, the Consumer Price Index has increased more than 700% and the State's fuel tax rate per gallon has increased by 460% in the last 50 years.

COST OF A ONE-WAY FULL LENGTH TRIP ACROSS THE OHIO TURNPIKE

Class		Gross Weight Classification (in pounds)	Sept. 1, 1955	June 25, 1956	May 28, 1957	July 21, 1958	Feb. 1, 1982	May 1, 1993	Jan. 1, 1999 (a)	Jan. 1, 2005 (b)	Jan. 1, 2007	Increase from 1955 (d)
1		- 7,000	$ 3.00		$ 3.50		$ 4.90		$ 8.95	$ 8.95	$ 10.25	242%
2		7,001-16,000	4.75	5.00			7.50		13.70	13.70	15.00	216%
3		16,001-23,000	7.25	6.50			9.75		17.80	17.80	19.00	162%
4		23,001-33,000	8.25	8.00			12.00		21.95	21.50	24.00	191%
5		33,001-42,000	11.50	9.50			14.25		25.95	21.50	24.00	109%
6		42,001-53,000	14.50	10.60			15.90		29.00	25.75	28.25	95%
7		53,001-65,000	17.75	12.75			19.15		34.85	25.75	28.25	59%
8	(c)	65,001-80,000	21.50	18.50		15.50	23.25		42.45	31.00	33.50	56%
9	(c)	80,001-90,000	30.00	26.50			39.75		72.45	31.00	33.50	12%
10	(d)	90,001-115,000						49.50	90.20	90.20	90.00	82%
11	(d)	115,001-127,400						54.00	98.40	98.40	98.00	81%
Consumer Price Index (e)			26.9								220.0	718%
Ohio Fuel Tax per Gallon			$ 0.05								$ 0.28	460%

Notes:

(a) Combined rate increases totaling 82% were phased-in from January 1, 1995 through January 1, 1999.

(b) Temporary toll rate reduction effective January 1, 2005 for Classes 4-9 and effective February 1, 2005 for Classes 2-3.

(c) Prior to February 1, 2004, weight for Class 8 was 65,001 - 78,000 pounds and weight for Class 9 was 78,001 - 90,000 pounds.

(d) Weight Classes 10 and 11 were established effective May 1, 1993.

(e) Consumer Price Index - All Urban Consumers - from September 1955 to July 2008.

The OTC Staff has developed the proposed schedules of toll rates keeping all of these challenges in mind. The following factors were considered in the development of the proposal:

A. Current Revenues and Operating Budget of the OTC

B. Projected Capital Expenditures

C. Noise Mitigation Efforts

D. Conversion to Axle-Based Tolling System

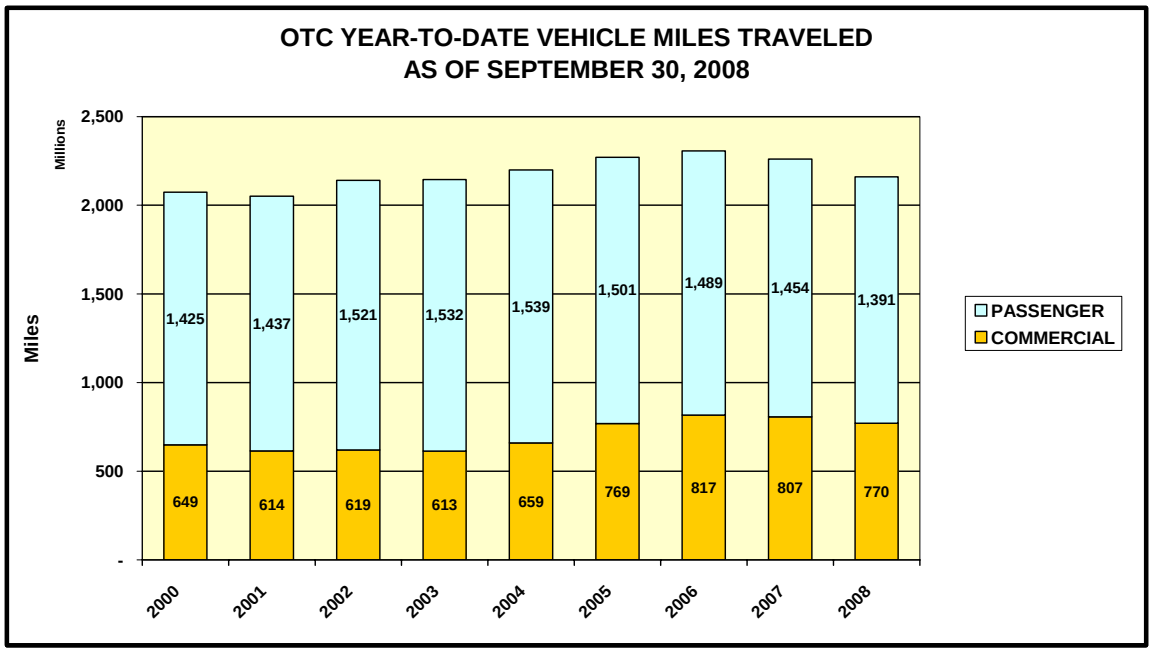
E. Incentive for Heavy Commercial Vehicles

F. ***E-ZPass***® Incentives

Each of these factors played an important role in the development of the proposed toll rate schedules and will be discussed below in further detail.

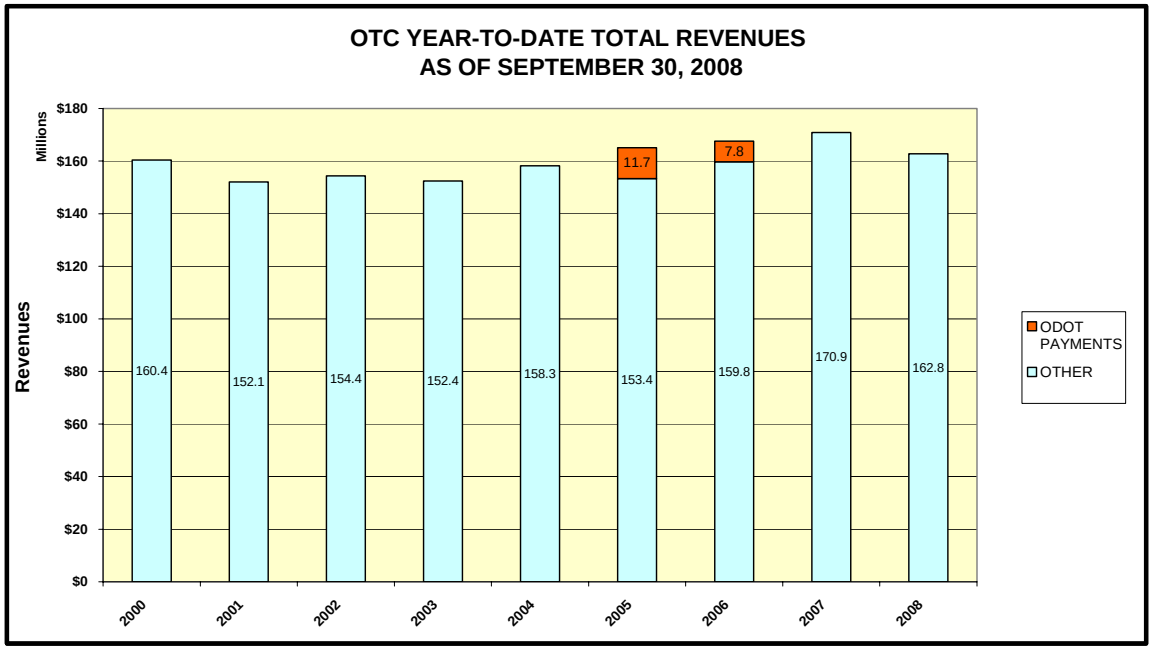
A. Current Revenues and Operating Budget of the OTC

The national economic slowdown and high fuel prices continue to have a significant impact on the level of traffic volume and corresponding revenues. The chart below shows the year-to-date miles traveled through September during each year of this decade.



The year-to-date passenger car miles traveled as of September 30, 2008 have been declining each year since 2004 and commercial vehicles miles traveled have been declining since 2006. Passenger car miles traveled in the first nine months of 2008 were 4.4% below the previous year's total and 9.7% below the peak total from 2004. Commercial vehicle miles traveled in the first nine months of this year were 4.6% below last year's total and 5.8% below the total from 2006.

The drop in traffic and the reduction in toll rates implemented in 2005 have had a significant negative effect on revenues. The chart below shows total year-to-date revenues from all sources for each year this decade.



Total revenues as of September 30, 2008 were $8.1 million dollars or 4.7% below those from the first nine months of 2007. In addition, as mentioned above, year-to-date revenues in 2008 are only 1.5% higher than they were during the first nine months of calendar year 2000, while the Consumer Price Index has increased by almost 31% during the same time period. In anticipation of this revenue decline, the OTC adopted an amended operating budget in July 2008 which included a reduction in projected revenues of almost $13 million dollars from the amounts originally

budgeted for 2008. The proposed adjustment in the toll rate schedules must address the continuing decrease in revenues at the same time that the OTC is experiencing substantial increases in the cost of fuel, maintenance expenses and other operating costs.

B. Projected Capital Expenditures

The OTC is committed to maintaining the highest level of services and amenities for the traveling public who choose to use the Ohio Turnpike. The capital improvement program has been dramatically curtailed in the last few years due to lower toll revenues. There are several critical components of the capital improvement program that must be considered when the OTC implements new schedules of toll rates:

1. *Service Plaza Reconstruction.*

   The OTC is in the midst of a multi-year program to replace and reconstruct the remaining original service plazas. The OTC reduced the total number of service plazas from 16 (eight pairs) to 14 (seven pairs) when the two service plazas at Milepost 20.8 were closed in 2006. These two service plazas in Williams County are scheduled for reconstruction beginning in 2009. The remaining two original sets of 50-year-old service plazas located at mileposts 49.0 (Lucas County) and 237.2 (Mahoning County) have yet to undergo reconstruction.

2. *Replacement of Concrete Pavement.*

   The Engineering Department is in the process of reviewing and analyzing the condition of the concrete pavement of the original two directional lanes (965 lane miles) which is more than 50 years old. There is no question that the OTC will need to commence replacement of the concrete base within the next five to ten years which will involve a significant expenditure of capital funds.

3. Completion of the Third Lane Project.

The Third Lane project was commenced in 1996. A total of 147 miles of the Third Lane Program have been constructed. However, no additional third lane construction contracts have been awarded since 2006. An additional 21.8 lane miles of third lane remain to be completed.

C. Noise Mitigation Efforts

The OTC is committed to working with its neighboring communities that continue to express concerns regarding increasing traffic noise generated from the Ohio Turnpike. The OTC has conducted a study to explore the viability of various noise mitigation methods or techniques that could be utilized to alleviate traffic noise along the Turnpike. The study will be followed by a pilot project that is expected to be completed in June 2009. Upon completion of the pilot project, the OTC will submit a report and recommendation to the Turnpike Legislative Review Committee of the Ohio General Assembly. The study and pilot project together are expected to yield cost effective solutions and to identify the resources needed to address the traffic noise concerns of the local communities. The OTC does not receive any federal highway funds to pay for noise mitigation projects since it is not a federal aid highway. Therefore, this significant expense will need to be funded through toll revenues.

D. Conversion to Axle-Based Vehicle Classification System

The current methodology utilized by the OTC to calculate tolls is based on the weight of the vehicle and the distance traveled. Ohio is one of only two major tolling authorities in the country that continue to utilize this methodology. Changing to an axle-based methodology will facilitate the implementation of ***E-ZPass®***. The OTC is converting to a system that will classify vehicles based upon the number of axles and the height over the first two axles. Tolls will continue to be calculated based on the

vehicle classification and distance traveled. The number of vehicle classifications will be reduced from 11 to 7 classes. This reduction in vehicle classifications has the net effect of compressing certain rate classes which will result in a rate increase for some vehicles and a reduction of the toll rate for other vehicles. Conversion to this tolling methodology is more efficient and simplifies the overall operation of the system. More importantly, this system will help position the OTC to adapt to future technology.

E. Incentive for Heavy Commercial Vehicles

The OTC currently offers a volume discount to commercial carriers participating in the OTC's Charge Card Program. Each toll authority that is a member of the ***E-ZPass®*** network is responsible for protecting the personal information of its customers and this information is not typically shared among the participating toll authorities. Accordingly, when a customer travels on the Ohio Turnpike using a transponder issued by another toll authority, that customer's identity is not disclosed to the OTC. Because a recent survey of the OTC's current commercial charge card customers revealed that the vast majority of those firms already have established ***E-ZPass®*** accounts at other toll agencies, it will not be practical for the OTC to continue to offer a volume discount after the implementation of ***E-ZPass®***.

The OTC continues to be committed to take every reasonable and cost effective step necessary to encourage heavy commercial vehicles to use the Ohio Turnpike instead of using those routes that run parallel to the Turnpike. As discussed above, toll rates for commercial vehicles were reduced in 2005 and rates for vehicles weighing in excess of 33,000 pounds are currently lower than they were in 1999. The OTC intends to use a toll rate strategy that continues to provide heavy commercial vehicles with an incentive to use the Ohio Turnpike instead of using less safe routes that run parallel to the Turnpike and through smaller communities. With

the conversion to an axle-based system from a weight-based tolling methodology, the proposed toll rates for vehicles weighing in excess of 65,000 pounds will be further reduced from the already low current rates, while toll rates for lighter commercial vehicles will be increased somewhat.

F. *E-ZPass® Incentives*

The OTC is making a significant capital expenditure on the new toll collection system. The decision to implement ***E-ZPass®*** was made in response to customer demand and is not expected to significantly reduce the OTC's overall operating expenses in the near term. The cost of the new toll collection system, ***E-ZPass®*** equipment, and related construction expenses are expected to total approximately $50 million. To maximize the traveling public's use of ***E-ZPass®***, the proposed new toll rate schedules are structured to provide an added incentive for its use.

In order to best accomplish this goal, the proposed toll rate schedules provide a discount to those customers who elect to pay tolls using ***E-ZPass®***. Customers driving passenger vehicles who use ***E-ZPass®*** will continue to pay the same toll rates they are paying under the current schedule of toll rates.

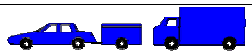
Beginning in the summer of 2009, customers will be able to open an ***E-ZPass®*** account via the OTC's Internet site, by mailing or faxing an application to the Customer Service Center (CSC) or by calling the CSC. The CSC will be staffed during normal business hours and an interactive voice response system will be available to assist customers who call at other times. Transponders will be mailed to customers and the transponders will be active and ready for use when the customers receive them. The OTC also plans to make transponders available at selected retail locations.

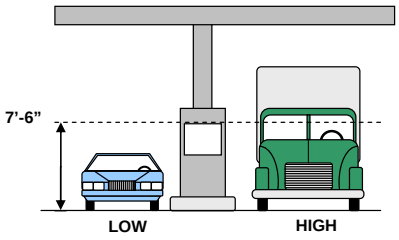
II. PROPOSED TOLL RATE SCHEDULES

As mentioned above, the OTC will be converting to a methodology that classifies vehicles based upon the number of axles and the height over the first two

axles and then calculates tolls based on the vehicle classification and the distance traveled, as opposed to the current methodology that is based on vehicle weight and distance traveled. As noted in the graphic below, the new methodology assigns vehicles to one of 7 classes. Vehicles under 7' 6" in height as measured over the first two axles will be classified as "low" and all other vehicles will be classified as "high".

OHIO TURNPIKE PROPOSED VEHICLE CLASSIFICATIONS

Class	Description	Example
1	Low 2-axle vehicles and all motorcycles (including motorcycles pulling trailers).	
2	Low 3-axle vehicles and high 2-axle vehicles.	
3	Low 4-axle vehicles and high 3-axle vehicles.	
4	Low 5-axle vehicles and high 4-axle vehicles.	
5	Low 6-axle vehicles and high 5-axle vehicles.	
6	High 6-axle vehicles.	
7	All vehicles with 7 or more axles.	



Note: Vehicles under 7'-6" in height as measured over the first two axles are classified as "low".

The table below shows the proposed toll rates for a full-length trip across the Turnpike. As mentioned earlier, toll rates will be lower for those customers who use ***E-ZPass®***. The table identifies the proposed toll rates that would become effective upon implementation of ***E-ZPass®***, planned for the fourth quarter of 2009, and a second set of toll rates that would become effective on January 1, 2012.

OHIO TURNPIKE COMMISSION

PROPOSED TOLL RATES

***E-ZPass*®** RATES:

CLASS	FOURTH QUARTER 2009		JANUARY 1, 2012	
	FULL TRIP	PER MILE	FULL TRIP	PER MILE
1	$ 10.25	$ 0.042	$ 11.25	$ 0.047
2	18.00	0.075	20.00	0.083
3	22.00	0.091	24.00	0.100
4	27.00	0.112	30.00	0.124
5	32.00	0.133	35.00	0.145
6	45.00	0.187	50.00	0.207
7	65.00	0.269	72.00	0.299

NON ***E-ZPass*®** RATES:

CLASS	FOURTH QUARTER 2009		JANUARY 1, 2012	
	FULL TRIP	PER MILE	FULL TRIP	PER MILE
1	$ 15.00	$ 0.062	$ 16.50	$ 0.068
2	25.00	0.104	28.00	0.116
3	30.00	0.124	33.00	0.137
4	35.00	0.145	39.00	0.162
5	40.00	0.166	44.00	0.182
6	55.00	0.228	61.00	0.253
7	75.00	0.311	83.00	0.344

NOTE: The reduced ***E-ZPass*®** rates will replace the current commercial volume discount.

These proposed toll rates are very competitive with those of other toll authorities in this east-west corridor. The table below shows comparisons for passenger cars, light trucks weighing 30,000 pounds and heavy trucks weighing 80,000 pounds.

SELECTED TOLL RATES PER MILE

Toll Authority		Year	*E-ZPass*® Toll Rates Per Mile			Non *E-ZPass*® Toll Rates Per Mile		
			Car	Light 5-axle Truck (30,000 lbs.)	Heavy 5-axle Truck (80,000 lbs.)	Car	Light 5-axle Truck (30,000 lbs.)	Heavy 5-axle Truck (80,000 lbs.)
Ohio Turnpike		1999	N/A	N/A	N/A	$ 0.037	$ 0.091	$ 0.176
		2007	N/A	N/A	N/A	0.042	0.100	0.139
	(a)	2009	$ 0.042	$ 0.133	$ 0.133	0.062	0.166	0.166
	(a)	2012	0.047	0.145	0.145	0.068	0.182	0.182
Illinois Tollway		2008	0.028	0.281	0.281	0.056	0.281	0.281
Indiana Toll Road	(b)	2008	0.030	0.174	0.174	0.051	0.174	0.174
		2009	0.030	0.183	0.183	0.054	0.183	0.183
		2012	0.030	0.211	0.211	0.062	0.211	0.211
Pennsylvania TP	(c)	2008	0.064	0.151	0.341	0.064	0.151	0.341
		2009	0.080	0.189	0.426	0.080	0.189	0.426
		2012	0.087	0.206	0.466	0.087	0.206	0.466
New York Thruway	(d)	2008	0.041	0.206	0.206	0.043	0.217	0.217
		2009	0.043	0.216	0.216	0.045	0.228	0.228
		2010	0.045	0.227	0.227	0.047	0.239	0.239
New Jersey TP		2008	0.043	0.188	0.188	0.057	0.205	0.205
	(a)	2008	0.077	0.252	0.252	0.077	0.275	0.275
	(a)	2012	0.117	0.385	0.385	0.117	0.422	0.422

Notes:

(a) Proposed

(b) Indiana Toll Road froze ***E-ZPass***® rates for cars until 2016. All other rates increase annually by the highest of two percent, the increase in the CPI, or the increase in the GDP. This analysis assumes annual increases of five percent.

(c) Pennsylvania Turnpike has approved a 25 percent toll increase in 2009 plus annual increases of three percent thereafter. There is no discount for ***E-ZPass***® users.

(d) New York Thruway has approved toll increases of five percent in both 2009 and 2010. ***E-ZPass***® tolls rates are set at five percent below non ***E-ZPass***® rates.

III. CONCLUSION

The Ohio Turnpike is a vital transportation link in the State of Ohio. The proposed schedules of toll rates are an important part of the transition into electronic tolling, which is being implemented to provide an added convenience for the customers of the Ohio Turnpike. Although the proposed rates will increase toll rates for some vehicles, some toll rates will remain unchanged, and still others will be reduced. The proposed rates are also very competitive with the rates charged by other toll authorities in this east-west corridor and the rates for commercial vehicles will remain among the lowest in the country. Customers driving passenger cars who choose to use ***E-ZPass***® to pay their tolls will not see any change in their rate until

2012. The proposed toll rates reflect the OTC's continuing commitment to remain fiscally sound, while providing a high level of service to the traveling public.