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Subject: CDM Smith Report

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To the Board:

Last week, I put myself through the exercise of trying to digest the salient findings of the CDM Smith report into the attached draft of a one-page summary. The effort is based on figures drawn from the report's financial analysis supplemented by a few observations from the Turnpike's perspective.

I have since shared it with Gary Quinlan who suggested a few corrections that have now been implemented.

I asked Gary if he would put together an executive summary of his own, feeling free to use or expand on what I have written, as he sees fit. Because most people are not going to read a 50 page "technical memorandum," it is important that we have a suitable digest available.

In addition, Sara and I have reviewed with Gary the need to place several of the report's findings into an appropriate verbal framework. For example, it would be odd to conclude, as was done on page 47, that AET produces the "best 10-year net total revenue" if one does not begin that sentence by describing the conditions necessary for such a goal to be achieved: doubling the cash toll and suffering a diversion of several thousand vehicles per day onto Route 1.

While these conditions can be safely produced in a computer model, they would not likely be tolerated in the real world.

The modeling is useful, nevertheless, because it does describe very well what must be done to recover the lost revenue and the higher costs arising from a shift to AET.

I have found it most profitable to study Table 4 on page 17 of the report, the "AET Surcharge Sensitivity Summary." It pays dividends to understand what is going on in that table.

Peter Mills

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