Exhibit No.____
Witness: RNH

DIRECT TESTIMONY OF
RENÉE N. HAMILTON
ON BEHALF OF
TOLL ROAD INVESTORS PARTNERSHIP II, L.P.
CASE NO. PUR-2023-00089

Exhibit No. ____
Witness: RNH

SUMMARY OF DIRECT TESTIMONY OF RENÉE N. HAMILTON

In my direct testimony I discuss:

- the history of the Greenway, including the financings that have been undertaken to construct, improve, and operate the roadway, and provide an overview of the benefits the Greenway provides to the community;
- toll pricing on the Greenway and provide an overview of the Company's toll increase proposed in the Application;
- the factors that have contributed to the financial performance of TRIP II and the financial impact the proposed tolls will have on it; and
- the impacts of recent changes to the Virginia Highway Corporation Act of 1988, §§ 56-535 *et seq.* (the "Act"), and propose a process for rate setting going forward under the amended Act.

Exhibit No. ____
Witness: RNH

**DIRECT TESTIMONY
OF
RENÉE N. HAMILTON
ON BEHALF OF
TOLL ROAD INVESTORS PARTNERSHIP II, L.P.
BEFORE THE
STATE CORPORATION COMMISSION OF VIRGINIA
CASE NO. PUR-2023-00089**

Q. Please state your name, business address, and position of employment with Toll Road Investors Partnership II, L.P. ("TRIP II," or "Company").

A. My name is Renée N. Hamilton. I am the Chief Executive Officer of TRIP II. My business address is: 22375 Broderick Drive #260, Sterling, Virginia 20166.

Q. Please describe your role as Chief Executive Officer and your background.

A. As Chief Executive Officer, I have responsibility for the entire operations of the Dulles Greenway, which includes leading the TRIP II business and management team and overseeing the relationship between the Dulles Greenway ("Greenway") and the Commonwealth of Virginia. I report directly to the TRIP II Board of Directors and am responsible for all matters necessary to comply with its duty to operate TRIP II in compliance with its regulatory, contractual, insurance and other obligations, including the Comprehensive Agreement with Virginia Department of Transportation ("VDOT") and the requirements of the bond documents associated with financing the Greenway. I also manage TRIP II's external relations with VDOT, Loudoun County, the Metropolitan Washington Airports Authority ("MWAA"), the Town of Leesburg, and other regional stakeholders.

Prior to joining TRIP II, I worked at VDOT for over three decades and served as the Northern Virginia Deputy District Administrator starting in 2013. During my time at VDOT, I managed high-level transportation issues and oversaw the maintenance of over 7,800 miles of roadways. I also led the transportation team that brought Amazon's new headquarters to Northern Virginia, served as executive manager of the Transform I-66 projects, and collaborated on the Silver Line Metro project.

I studied Civil Engineering at South Carolina State University, and hold a Master's degree in Civil Engineering Management from Old Dominion University.

Q. What is the purpose of your testimony in this proceeding?

A. The purpose of my testimony is to provide a brief history of the Greenway, including the financings that have been undertaken to construct, improve, and operate the roadway. I will outline the benefits the Greenway provides to the community, discuss toll pricing on the Greenway, and provide an overview of the Company's toll increase proposed in the Application. In addition, I discuss the factors that have contributed to the financial performance of TRIP II, and the financial impact the proposed tolls will have on TRIP II. I also discuss the impacts of recent changes to the Virginia Highway Corporation Act of 1988, §§ 56-535 *et seq.* (the "Act"), and propose a process for rate setting going forward under the amended Act.

Q. During the course of your testimony, will you introduce any exhibits?

A. Yes, my testimony includes the following Exhibits:

- CONFIDENTIAL Exhibit RNH-1 – Projected Cashflows – Proposed Tolls
- CONFIDENTIAL Exhibit RNH-2 – Projected Cashflows – Sample Tolls
- Exhibit RNH-3 – Dulles Greenway Reinvested Earnings Account Calculation
- Exhibit RNH-4 – Internal Rate of Return Analysis.

I. Background of the Greenway

Q. What was the legal basis for construction and operation of the Greenway?

A. In 1988, the Virginia General Assembly passed the Act, which authorized the construction of private toll roads in the Commonwealth. The Act sought to encourage private investment in needed infrastructure. The Act sets forth the requirements that a proposed project must meet, provides for regulation by the Commission, including standards for setting toll rates (in accordance with the Code), and addresses numerous other aspects of any such project.

In 1989, the Toll Road Corporation of Virginia ("TRCV") presented a proposal to fund, construct, and operate a private toll road, now known as the Dulles Greenway, under the Act as an extension of the existing, state-owned Dulles Toll Road ("DTR") running from the western terminus of the DTR in the area of Dulles International Airport to Leesburg, Virginia. The Commonwealth Transportation Board approved the application in July 1989 and on July 6, 1990, in Case No. PUE-1990-00013, the Commission issued TRCV a certificate of authority ("Certificate") pursuant to the Act to construct and collect tolls on the Greenway, making it the first private toll road in Virginia since 1816 and the only private toll road to be regulated by the Commission. In fact, the Greenway is the only private road in the United States that is regulated by a state public utility commission.

The Commission authorized and approved the transfer of the Certificate to a limited partnership, TRIP II, in its Order Amending Certificate issued on June 28, 1991, in Case No. PUA-1990-00013. TRCV transferred the Certificate to TRIP II on September 28, 1993. Financing was secured that same year. All the land on which the road is situated was acquired by TRIP II in fee simple or via an easement agreement with MWAA, which operates the Dulles Toll Road, and the adjacent Dulles International Airport. Construction began in late 1993 and the road opened to traffic on September 29, 1995. Since that time, the Greenway has provided the surrounding community with a high quality roadway that has been integral to the growth of Loudoun County and Northern Virginia without burdening taxpayers; not one dollar of public funds has ever been allocated to or otherwise subsidized the Greenway.

Q. What are the benefits that the Greenway provides?

A. The Commission has long recognized that a road through this corridor likely would not have been built had TRIP II not stepped up and taken on the development and construction of the Greenway.[1] Loudoun County too has recognized the Greenway's contribution to the economic growth of the area. As explained by former Loudoun County Board Supervisor James G. Barton, "[t]he Greenway has made it easier for western Loudoun to grow by leaps and bounds."[2] Former Loudoun County Board Supervisor Geary Higgins echoed similar sentiment noting that that "the Greenway is a great asset for Loudoun County."[3] For nearly 30 years, the Greenway has been an integral part of the transportation network in eastern Loudoun County, helping facilitate the five-fold growth in

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[1] *See*, *e.g. Application of Toll Road Corp. of Va. For a certificate of authority and approval of rates of return, toll rates and ratemaking methodology pursuant to the Va. Highway Corporation Act of 1988*, Case No. PUA900013, Opinion and Final Order at 6 (July 6, 1990).

[2] Justin Blum, "*Dulles Greenway a 'Double-Edged Sword*,'" The Washington Post, July 26, 1999.

[3] *See Commonwealth of Virginia, ex rel. State Corporation, Ex Parte: In the matter of investigating the toll rates of Toll Road Investors Partnership II, L.P., under § 56-542 D of the Code of Virginia,* Case No. PUE-2013-00011, Report of A. Ann Berkebile, Hearing Examiner at 7 (Jan. 30, 2014).

Loudoun County's population from around 87,000[4] in 1990 to an estimated 432,000 in 2022[5], and has seen more than 440 million trips taken on it since it opened in 1995. It provides a high quality, fast, reliable, and safe route for all drivers. As a primary artery between Leesburg (and points west) and the DTR (including Reston, Tysons Corner, and other points east), the Greenway provides users with multiple benefits, including quicker and more reliable travel times at higher average speeds, lower vehicle operating costs, and a safer driving environment with substantially lower accident rates. In addition, the Greenway offers drivers the peace of mind from driving on a well-maintained and safe roadway.

A complement to the public road network, the Greenway relieves the financial burden of local and state agencies charged with providing transportation throughout the region and simultaneously enhances the quality of life for local residents and commuters by alleviating congestion and cut-through traffic that would otherwise exist on surrounding public roads. This in turn reduces carbon emissions and improves air quality for those neighborhoods as well as reduces the pressure on local road maintenance and construction budgets.

Q. How else does the Greenway provide benefits to the local community?

A. Another way the Greenway provides benefits to the local community is through its charity and fundraising events. The Drive for Charity event, for example, was an initiative that ran from 2005 through 2019 whereby TRIP II distributed toll

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[4] USA Facts, *Our Changing Population: Loudoun County, Virginia*, https://usafacts.org/data/topics/people-society/population-and-demographics/our-changing-population/state/virginia/county/loudoun-county/?endDate=2021-01-01&startDate=1990-01-01.

[5] U.S. Census, *QuickFacts: Loudoun County, Virginia*, https://www.census.gov/quickfacts/loudouncountyvirginia.

proceeds from a single designated day to several local charities and the Dulles Greenway Scholarship Program, all of which benefit greater Loudoun County. TRIP II has contributed over $3.5 million since 2006, raising close to $327,000 in 2019. TRIP II distributed the money raised in 2019 among the March of Dimes, ECHO, the Loudoun Abused Women's Shelter, Fresh Air/Full Care, the Loudoun Free Clinic, Loudoun Hunger Relief, and Loudoun Wildlife Conservancy. The collection also funded the Dulles Greenway Scholarship Program, which provided $2,000 to a graduating senior at each of Loudoun County's 15 public high schools.

The Company decided to head in a different direction in 2021, replacing the Drive for Charity with its inaugural Run the Greenway, an event that brought together more than 1,200 Northern Virginia runners and their families as well as some virtual participants from all over the world, for a 5K and 10K race as well as an 800-meter kids' fun run. Run the Greenway raised over $165,000 in its inaugural year, funding more than 25 Loudoun County charities, including the Dulles South Food Pantry, ECHO, Loudoun Abused Women's Shelter, and Step Sisters. The Greenway has hosted the Run the Greenway event each year since, raising over $644,000 to date for local non-profit organizations in Loudoun Cunty.

Since 1995, the Greenway has worked with the Loudoun Wildlife Conservancy to manage and preserve 149-acre of wetlands in Leesburg, Virginia. The Dulles Greenway Wetlands has been home to two American bald eagles since 2005, and in September 2021, the Greenway partnered with the American Eagle Foundation, Loudoun Wildlife Conservancy, and HDOnTap to install two high-definition live-stream cameras overlooking the bald eagles' nest (the "Eagle Cam"). These cameras, which provide unprecedented, high-definition insight into the movements of the bald eagles, received over 266,700 views on YouTube in 2022 and nearly 1 million views by June of this year.[6] In January and February 2022, the Greenway partnered with Loudoun County Public Schools ("LCPS") to run an eagle naming contest for the two eagles, which attracted over 9,000 LCPS K-12 students. When additional eagles were born in Spring 2023, the Greenway partnered with the Loudoun Wildlife Conservancy to run another successful naming competition.

In addition to its charity and fundraising events, the Greenway provides benefits to the local community by investing in projects that relieve congestion, increase safety, and improve traffic flows.

Q. Could you please describe a few of the projects that the Greenway has invested in that benefit the local community?

A. The Leesburg Bypass Improvement Project is one such project. The purpose of this project was to improve roadway safety and reduce congestion on State Route 7/U.S. Route 15 Bypass at its interchange with South King Street. Specifically, TRIP II joined a tri-party agreement with Loudoun County and the Town of Leesburg to initiate a project that was designed to improve traffic flow on Route 15 and as a result relieve congestion at the west end of the Greenway. TRIP II managed the construction and design of the approximately $4.4 million project on behalf of Loudoun County. TRIP II financed 50% of the overall project costs. Completed on time and on budget in Spring of 2022, the Leesburg Bypass project helps alleviate congestion in the evenings when exiting the Greenway and provides travelers a safer merge on to the Leesburg Bypass.

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[6] *See* Dulles Greenway, *Eagle Cam*, https://www.dullesgreenway.com/eagle-cam/.

Another example is the Dulles Greenway Dulles Toll Road Eastbound Widening, which includes the addition of a lane that extends from the Greenway's mainline plaza along the DTR to Centreville Road. This project, which was substantially completed in January 2021, eases morning peak congestion and improves the safety of the merge between Greenway customers and traffic entering the DTR from Route 28 and Dulles International Airport. TRIP II invested approximately $17.2 million for this project.

Q. As the owner of the land in fee simple, does TRIP II pay property taxes?

A. Yes. Unlike other state roads and privately-operated toll roads in the Commonwealth, the Greenway was built on private land that is owned in fee simple by TRIP II. As a result, TRIP II pays property taxes every year to Loudoun County, which totaled nearly $1.9 million in 2022. Since acquiring the land, TRIP II has consistently been one of the top tax paying businesses in Loudoun County, paying over $65 million in total property taxes and over $1.2 million in additional taxes paid into the Dulles Rail Service District to help fund the Metrorail Silver Line extension to Loudoun County, and more than $210,000 in additional Route 28 Highway Transportation Improvement District taxes to help fund improvements to State Route 28. The more than $66 million in taxes paid by TRIP II has been used to support the growth of Loudoun County and provide services to its residents. In addition, consistent with the requirements of the Comprehensive Agreement, TRIP II has granted a permanent easement to our land in the median of the Greenway for the Metrorail Silverline extension. We receive no remuneration for this use of our land.

Q. Is there a cost associated with the easement agreement with MWAA?

A. Yes. TRIP II pays $600,000 in annual land rental fees to MWAA under the easement agreement, which is set to increase to $2 million per year beginning in 2036. In total, TRIP II has paid approximately $12.7 million to MWAA in land rental fees through 2022, with an additional $600,000 due at the end of June 2023.

II. Debt on the Greenway

Q. Please provide background on the financing of the Greenway.

A. At the time the Greenway opened to traffic in 1995, the total cost to acquire the right-of-way, construct the road, install surfacing and safety features, and install toll collection equipment was approximately $315 million. This did not include future capital expenditures that TRIP II has since been required to incur to deliver the additional planned improvements that were part of the Comprehensive Agreement. Additional operating, funding, and development costs were also incurred, resulting in a total of $40 million in equity from the original Limited Partners and approximately $311 million in debt invested into TRIP II initially. The debt funding included approximately $254 million in fixed-rate First Mortgage Notes and a $57 million Construction Loan with a relatively expensive weighted average annual interest rate of approximately 9.80%.

Q. Why has TRIP II's debt increased since this initial financing?

A. Several factors have contributed to the increased debt, including: weaker than anticipated traffic on the road when it opened in 1995, which in turn resulted in insufficient cash flows for the business to meet its debt obligations and created a near default situation almost immediately after the opening of the road; sustained traffic underperformance relative to historic traffic forecasts; the resulting financial performance and debt refinancings; and the type of debt held by TRIP II.

The near default situation shortly after the road opened to traffic was remedied with the restructuring of TRIP II's debt in 1999. The 1999 debt restructuring was reviewed and approved by the Commission. This restructuring led to an increase in the total level of debt outstanding between December 31, 1998, and December 31, 1999, of approximately $149 million. The business continued to perform below expectations, and in March 2005, TRIP II restructured its debt again with support from VDOT and Commission approval in Case No. PUF-2001-00017. Accompanying this debt restructuring was a 20-year extension of the project concession to 2056. This refinancing led to an increase in the total level of debt outstanding between December 31, 2004 and December 31, 2005, of approximately $355 million, bringing the total debt level at that time to $882 million.

Q. Did the Commission approve the refinancings that TRIP II completed in 1999 and 2005?

A. Yes. The Commission approved the 1999 refinancing in Case No. PUF-1998-00025 and the 2005 Refinancing in Case No. PUF-2001-00017.

Q. What is the current amount of debt on TRIP II's balance sheet?

A. As of December 31, 2022 TRIP II has a debt balance of $1.121 billion.

Q. How did the debt balance on the Greenway increase from only $882 million in 2005 to more than $1.121 billion as of December 31, 2022?

A. The majority of TRIP II's debt is structured as zero-coupon bonds. Zero coupon bonds do not pay interest to the bondholders in cash during the life of the bonds. Instead, they are sold to the bondholders at a discount to their face value and the interest accrues on top of the principal over the life of the bond, payable upon the bond's maturity along with the principal. As a result, the amount of outstanding debt continues to increase over time until the bonds reach maturity. The maturities of the bonds were spread over the life of the Certificate to provide a more level and known debt service profile. The debt was deliberately structured in this way to match anticipated increases in revenue over time from traffic and toll growth. This was a common way to structure long-term toll road debt, and for example, the Dulles Toll Road also still has two tranches of accreting bonds.

Q. Has TRIP II issued any new debt since the 2005 refinancing?

A. No, TRIP II has not issued any new debt since the 2005 refinancing and no other debt associated with the Greenway in any way has been issued or incurred. The growth in the balance of the debt on the Greenway is simply the accumulation of interest over time associated with the zero-coupon bonds as discussed above, which was known since the time the Commission approved the 2005 refinancing.

Q. Please explain the primary obligations that TRIP II has related to the outstanding debt on the roadway.

A. As part of its ongoing financial obligations with regard to the 1999 and 2005 bonds, TRIP II is required to meet two covenant tests before being able to make distributions to equity holders. These two tests are the:

1) Minimum Coverage Ratio ("MCR"): Net Toll Revenue (essentially toll revenue less operating costs) shall equal at least 1.25 times the Debt Service on all Senior Bonds outstanding for each fiscal year. Failure to meet this covenant locks up distributable cash until the MCR has been satisfied for a consecutive period of 12 months.
2) Additional Coverage Ratio ("ACR"): Net Toll Revenue less transfers to the Improvement Fund and Operating Reserve Fund shall equal at least

1.15 times Debt Service. Failure to meet this covenant locks up distributable cash for a period of 36 months.

TRIP II reduced its debt burden with free cash flows available in the business between October 2011 and February 2012. During that time, TRIP II paid roughly $34 million to buy back approximately $64 million in face value of bonds. While this reduced the actual cash debt service TRIP II had to pay through 2021, the debt covenants require calculation based on the full amount of debt service as if the bonds had not been retired. As a result, TRIP II has been struggling to meet the covenants and has not met the MCR since 2010 and has not met the ACR since 2019. TRIP II has been in debt lockup since 2006, meaning the business has not been able to make sufficient distributions to its limited partners to repay them for the equity they invested to construct and improve the road, let alone to provide any return on that investment. Moreover, TRIP II's failure to meet the coverage tests increases the pressure from bondholders and the bond insurer to increase toll revenue **[BEGIN CONFIDENTIAL]** [redacted] **[END CONFIDENTIAL]**

Q. What is the current and future level of debt service?

A. Total debt service for 2023 was approximately $69.5 million. This is scheduled to increase to $70.6 million in 2024 and $71.6 million in 2025, and continues to increase annually through 2034 when it reaches $81 million. The table below provides a summary of the future annual debt service from 2023 through 2056 for the four currently outstanding tranches of bonds.

Total Debt Service					
	1999A	1999B	2005B	2005C	
Year	Principle and Interest	Principle and Accrued Interest	Principle and Accrued Interest	Principle and Accrued Interest	Total Debt Service
2023	$2,493,750	$49,500,000	$17,548,700		$69,542,450
2024	$2,493,750	$51,600,000	$16,468,109		$70,561,859
2025	$2,493,750	$53,900,000	$15,194,807		$71,588,557
2026	$2,493,750	$55,600,000	$14,526,220		$72,619,970
2027	$2,493,750	$57,300,000	$13,863,661		$73,657,411
2028	$2,493,750	$59,100,000	$13,107,024		$74,700,774
2029	$2,493,750	$60,900,000	$12,355,615		$75,749,365
2030	$2,493,750	$62,700,000	$11,608,996		$76,802,746
2031	$2,493,750	$64,700,000	$10,667,258		$77,861,008
2032	$2,493,750	$66,700,000	$9,729,347		$78,923,097
2033	$2,493,750	$66,700,000	$10,789,148		$79,982,898
2034	$2,493,750	$66,700,000	$11,851,692		$81,045,442
2035	$36,246,875	$28,700,000	$11,727,218		$76,674,093
2036				$69,500,000	$69,500,000
2037				$70,200,000	$70,200,000
2038				$70,900,000	$70,900,000
2039				$71,600,000	$71,600,000
2040				$72,300,000	$72,300,000
2041				$73,000,000	$73,000,000
2042				$73,700,000	$73,700,000
2043				$74,400,000	$74,400,000
2044				$75,100,000	$75,100,000
2045				$75,900,000	$75,900,000
2046				$76,700,000	$76,700,000
2047				$77,500,000	$77,500,000
2048				$78,300,000	$78,300,000
2049				$79,100,000	$79,100,000
2050				$79,900,000	$79,900,000
2051				$80,700,000	$80,700,000
2052				$81,500,000	$81,500,000
2053				$82,300,000	$82,300,000
2054				$83,100,000	$83,100,000
2055				$83,900,000	$83,900,000
2056				$84,700,000	$84,700,000
Total	**$66,171,875**	**$744,100,000**	**$169,437,795**	**$1,614,300,000**	**$2,594,009,670**

Q. How does the level of debt service impact toll rates?

A. Unlike traditional regulated utilities, whose rates are established by the Commission based on the total cost of providing service, which includes debt service obligations, toll prices for the Greenway are set using a methodology that does not directly consider debt service or the other operating or capital costs of TRIP II.

Debt service, however, is by far the largest expenditure incurred by TRIP II on an annual basis. TRIP II's bond indentures include provisions that require TRIP II to use its best efforts to seek and obtain the authorization of the Commission to allow toll rates that will generate sufficient revenues for the business to meet its coverage ratios (the MCR and ACR). The increasing debt service costs over time outlined above, along with corresponding debt service coverage requirements, require steady increases in toll prices to meet these obligations and to provide TRIP II any opportunity to earn a return on the investment made in the Greenway. As a result, while tolls are primarily set based on the statutory criteria, the Commission and Commission Staff have previously recognized that the Company's ability to meet its debt obligations is a relevant consideration when evaluating potential changes to the Company's tolls. For example, in Case No. PUE-2013-00011, the Commission observed in its Order Concluding Investigation that whether the tolls would provide "sufficient revenues for the Company to meet its debt obligations and could jeopardize TRIP II's overall financial integrity" was relevant in evaluating toll proposals.[7] The Commission further acknowledged the Staff's position that "constitutional issues arise if tolls are lowered . . . in a manner that prohibits the Company from recovering its prudently incurred operating costs and debt obligations."[8]

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[7] *Commonwealth of Virginia, ex rel. State Corporation, Ex Parte: In the matter of investigating the toll rates of Toll Road Investors Partnership II, L.P. under § 56-542 D of the Code of Virginia*, Case No. PUE-2013-00011, Order Concluding Investigation at 9 n. 24 (Sept. 4, 2015).

[8] *Id.* at 10.

Q. What have been the Company's achieved coverage ratios since 2019?

A. The table below sets forth TRIP II's actual, achieved coverage ratios for the past four years:

	2019	**2020**	**2021**	**2022**
MCR (min 1.25x)	1.20x	0.64x	0.85x	0.77x
ACR (min 1.15x)	1.20x	0.64x	0.83x	0.74x

As demonstrated above, TRIP II last met the ACR in 2019 and has not met the MCR during the entire period (and has not met it since 2010 as noted above).

Q. Has TRIP II had difficulties in recent years making its annual debt service payment from its toll revenue?

A. Yes, on two occasions TRIP II has not generated sufficient net revenues to cover its debt service payments and has been forced to draw down on its reserves in the Early Redemption Fund to make payments under the Early Redemption Schedule.

- In February 2022, TRIP II was required to utilize approximately $17.6 million of reserves to replenish the Early Redemption Fund in respect of its obligations for the 2005 series bonds.
- In February 2023, TRIP II once again was required to utilize approximately $11.7 million of reserves to replenish the Early Redemption Fund in respect of its obligations for the 2005 series bonds.

This was the first time TRIP II has had to draw on its reserves for the purposes of debt service requirements since the reserves were established following the 2005 refinancing.

Further, TRIP II currently expects to utilize additional reserve funds to meet the Early Redemption Schedule for the 2005B bonds in February 2024, with the exact amount being dependent on traffic volumes through to the end of 2023.

Q. What has contributed to the financial performance of TRIP II?

A. On a pure operational basis, TRIP II runs an efficient business with an average earnings before interest, tax, depreciation, and amortization ("EBITDA") margin of approximately 79% over the past five years. However, TRIP II incurs several significant annual costs that other state roads and private toll roads in the Commonwealth do not, and traffic volumes have been negatively impacted by several exogenous factors.

Unlike other state roads and private toll roads in the Commonwealth, the Greenway was built on private land owned in fee simple by TRIP II. As a result, TRIP II pays property taxes every year to Loudoun County, which totaled over $1.9 million for the year ending December 2022. Since acquiring the land, TRIP II has consistently been one of the top tax paying businesses in Loudoun County, paying over $65 million in total property taxes. Included in this is over $1.2 million in additional taxes paid into the Dulles Rail Service District to help fund the Metrorail Silver Line extension to Loudoun County, and more than $210,000 in additional Route 28 Highway Transportation Improvement District taxes to help fund improvements to VA Route 28.

Furthermore, because part of the land occupied by the Greenway is leased from MWAA, TRIP II pays $600,000 in annual land rental fees to MWAA, which is set to increase to $2 million per year beginning in 2036. In total, TRIP II has paid approximately $12.7 million to MWAA in land rental fees through 2022, with an additional $600,000 due at end of June 2023.

Finally, TRIP II pays approximately $750,000 annually to the Virginia State Police for law enforcement response and patrols on the Greenway.

As Company witness Steve Weller discusses in his direct testimony, while the continued population and income growth in Loudoun County enabled by the Greenway has created a positive impact on its traffic volumes, COVID-19, toll prices on the DTR, and improvements to the surrounding public road network have created a negative impact on Greenway traffic volumes. In particular, the significant investments made to develop free alternatives to compete with the Greenway, including the significant improvements to Route 7 and Route 28 over the past decade along with other major east-west routes in the county, have had a materially negative impact on Greenway traffic and have directly impacted TRIP II's revenues and cash flows. Changes to the Act in 2008, while I understand they were a compromise that avoided more draconian impacts on TRIP II, nevertheless restricted the Greenway's ability to seek compensatory toll increases between 2013 and 2019 at the same time the state and local government completed these improvements to significantly reduce congestion on competing roads, thereby reducing the Greenway's traffic volumes as traffic naturally moved to these improved, free alternatives. We estimate this impact on our traffic volume to be 38,000 AADT, equating to around $69 million revenue per annum by 2019 assuming an average toll of $5.00.

In addition, the Commission's previous decision denying any increases in peak tolls, which is discussed further below, has also contributed to the current financial performance of the Greenway.[9] TRIP II estimates that had the requested peak tolls been awarded for 2021 and 2022, total revenues would have been around $3 million higher during that period, however the impact of not granting

[9] *See* Final Order, *Application of Toll Road Investors Partnership II, L.P. For an increase in the maximum level of tolls*, Case No. PUR-2019-00218, 2021 S.C.C. Ann. Rep. 172, 174-75 (Apr. 26, 2021).

any toll increases for 2023 or beyond equates to around $7 million in lost revenue per annum, increasing over time as traffic grows. Although the Greenway acknowledges that the Commission's decision to not approve the peak toll increases was based on the uncertainty during the early pandemic, this nevertheless has significantly impacted TRIP II's current financial situation. In addition to necessitating higher increases to tolls now to meet TRIP II's increasing financial obligations, it has also further impacted TRIP II's ability to meet these obligations for the remainder of the period in which it is authorized to operate under the Certificate and to be able to have an opportunity to earn a reasonable return during that finite period before 2056.

III. Tolls on the Greenway

Q. How are toll prices set on the Greenway?

A. Section 56-542 D of the Va. Code gives the Commission the duty and authority to approve or revise toll rates on the Greenway if it finds that such rates: (i) are reasonable to the user in relation to the benefit obtained; (ii) will not materially discourage use of the roadway by the public; and (iii) provide the operator with no more than a reasonable rate of return as determined by the Commission.

The Company filed its last application pursuant to Section 56-542 D on December 20, 2019, in Case No. PUR-2019-00218, requesting an increase in the maximum level of tolls over a five-year period ("2019 Application"). While the 2019 Application was pending at the Commission, the General Assembly amended the Act to require, among other things, that any application to increase toll rates include a forward-looking analysis that demonstrates that the proposed toll rates will be reasonable to the user in relation to the benefit obtained, not likely to materially discourage use of the roadway, and provide the operator no more than a reasonable return. The forward-looking analysis must include reasonable projections of anticipated traffic levels, including the impact of social and economic conditions anticipated during the time period that the proposed toll rates would be in effect. The amendments define the term "materially discourage use" as follows:

> to cause a decrease in traffic of three or more percentage points based on either a change in potential toll road users or a change in traffic attributable to the toll rate charged as validated by (i) an investment-grade travel demand model that takes population growth into consideration or (ii) in the case of an investigation into current toll rates, an actual traffic study that takes population growth into consideration.[10]

In addition to adding these provisions related to the statutory tests for the Commission's consideration of tolls, the Amended Act also states that the "Department [of Transportation] shall review and provide comments upon the analysis to the Commission" and prohibits the Commission from authorizing more than one annual toll increase.[11]

Q. How do these amendments impact the process for TRIP II requesting changes in its tolls?

A. In addition to the added work that may be required by the Commission and VDOT, there are two main changes for how TRIP II must seek the necessary adjustments to its tolls based on these amendments.

First, TRIP II, like it has done in this application, will be required to hire traffic experts to develop, and continue to update, "an investment-grade travel demand model" to verify the extent to which its proposed tolls could be expected to impact

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[10] Va. Code § 56-542 A.

[11] Va. Code § 56-542 D.

traffic on the Greenway as required by the amendments, which results in substantial costs to all parties each time TRIP II seeks a toll increase.

Second, the restriction on the Commission that allows it to approve no more than one annual toll rate increase means that, in order to balance the impact of toll increases on drivers and the Company's need to seek steady toll increases required to meet its ongoing financial obligations, the Company would likely be required to file near-annual toll increase applications. This is highly impractical absent some way to streamline and expedite the Commission's consideration of TRIP II's applications. Indeed, prior applications by TRIP II under Va. Code 56-542 D have taken well over a year between filing the application and a decision by the Commission. If future applications under the Act, as amended, are not provided some type of streamlined and/or expedited process, it will not only further increase the Company's expenses, but could also require the Company to be engaged in an almost continual process before the Commission. This in turn will create additional burden (both time and expense) for the Commission and VDOT, as well as any other party that chooses to participate in the application process. In addition, TRIP II will have an inherent lag in its ability to increase tolls. This is because, as discussed by Company witness Cuneo, the amendments to the Act to define the material discouragement calculation require that the Commission to consider forecasted traffic with any proposed toll increase in place. As a result, TRIP II would need a decision on the approved tolls from any previous application before it can begin to develop updated traffic studies to model the impact of future increases in tolls. Not only will this lead to larger and less gradual toll increases on Greenway users, it will also impact TRIP II's ability to generate revenue to meet its increasing financial obligations and have the opportunity to earn a reasonable return.

Q. Does the Company have a proposal to ease the burden that will be imposed on the Company, the Commission, and VDOT as a result of the amendments to the Act?

A. Yes. The Company proposes that in this proceeding, the Commission approve the Company's methodology and inputs used to evaluate the proposed tolls and also approve a streamlined process to review the Company's tolls in future proceedings. Specifically, the Company proposes that the Commission allow the Company to file future applications utilizing the same methodology and inputs as approved. If the Commission Staff and VDOT determine that the Company appropriately updated the inputs and that, based on this updated analysis, the proposed tolls continue to meet the statutory tests consistent with the Commission's prior orders, TRIP II can implement its proposed tolls on a specific timeframe after public notice of the increases and without the necessity of a full hearing process before the Commission.

Should, however, the Company determine that revisions are required in its methodology or inputs, it would clearly explain such revisions. The Commission would then have the option to allow the Company's application to proceed through the streamlined process or to order additional procedures, including hearings, on the Company's application.

Q. When did the Commission last approve an increase in Greenway toll rates?

A. The Commission last approved an increase in Greenway tolls in its Final Order issued on April, 26, 2021, in Case No. PUR-2019-00218.

Q. Did the Commission approve all of TRIP II's proposed Greenway tolls?

A. No. The Commission only approved TRIP II's proposed off-peak toll increases, and only for years 2021 and 2022. TRIP II's proposed increase to the maximum off-peak tolls for the year 2021 became effective on the date of the Final Order and TRIP II's proposed increase to the maximum off-peak tolls in 2022 became effective January 1, 2022. In deciding to approve only the off-peak tolls, the Commission found that the record supported approval of the peak tolls under the statutory criteria, but instead exercised discretion to nevertheless not approve those increases based solely on the uncertainty related to the COVID-19 pandemic.[12]

Q. What are the current toll rates on the Greenway?

A. The maximum off-peak toll for 2-axle vehicles is $5.25, $10.50 for 3 axles, $13.10 for 4 axles, and $15.75 for 5 axles or more. The peak management toll for 2-axle vehicles is $5.80, $11.55 for 3 axles, $14.60 for 4 axles, and $17.50 for 5 axles or more.

Q. How do the current tolls on the Greenway compare to other tolls charged in the region?

A. The tolls for the Greenway are on the low end of the range of tolls that are charged on toll facilities in the region and in many cases are significantly lower than other toll facilities in Virginia, particularly in the Northern Virginia region. Existing tolls are $0.45 per mile in the peak and $0.40 per mile in the off peak. The Proposed Tolls (discussed below) would put us in the middle of the

[12] *See* Final Order, *Application of Toll Road Investors Partnership II, L.P. For an increase in the maximum level of tolls*, Case No. PUR-2019-00218, 2021 S.C.C. Ann. Rep. 172, 174-75 (Apr. 26, 2021).

range of other toll facilities in the region on a cost per mile basis. There are several tolled facilities in the region to compare to the Greenway.

Dulles Toll Road

The DTR connects from the eastern end of the Greenway to the Capital Beltway in Fairfax County in the east. The current (2023) toll for the DTR is $6.00 for the 14-mile trip ($0.43 per mile), $4.00 for the mainline, and $2.00 at the ramps. DTR tolls are scheduled for regular toll increases every five years through 2048. The next toll increase is scheduled for 2028 where the full-length trip on the DTR will increase to $7.25, $4.75 for the mainline and $2.50 at the ramps ($0.52 per mile). It's worth noting that the DTR ramp toll of $2.00 is collected at the Dulles Greenway mainline toll plaza (prior to the Greenway transferring these amounts to MWAA) as traffic through the mainline toll plaza is exiting and entering the DTR, resulting in public confusion about the ultimate recipient of these amounts.

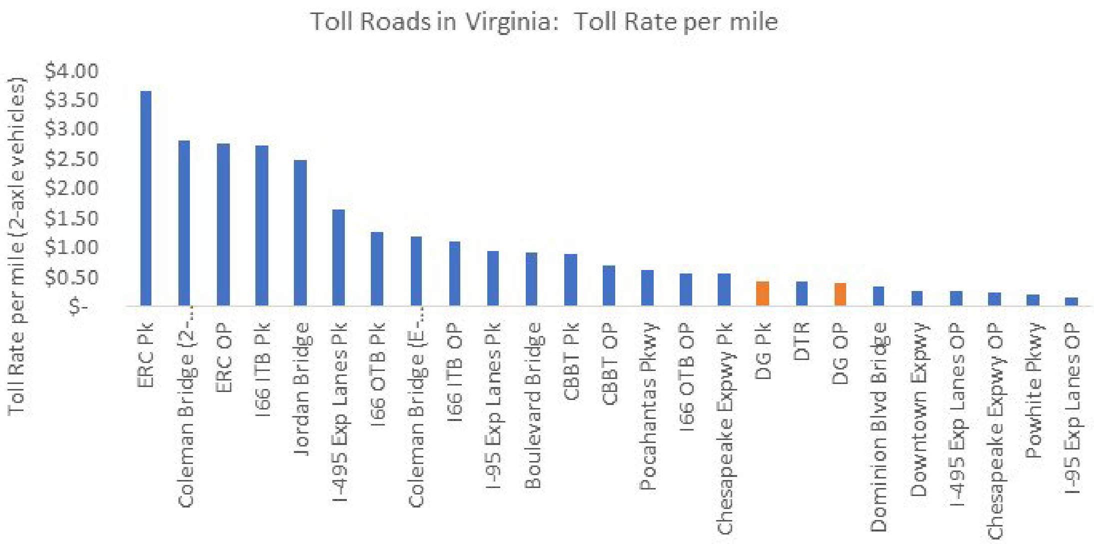
Express Lanes

In addition to these traditional toll roads there are several express lane facilities in the region. These express lane facilities all provide free trips for carpools or high occupancy vehicles with multiple passengers ("HOVs") and allow single occupancy vehicles ("SOVs") to use the road by paying a dynamically priced toll. The dynamic toll price varies throughout the day with lower tolls when traffic levels are low, and higher as traffic levels increase.

The I-495 Express Lanes are 14 miles of dedicated 2-lane express lanes in each direction in the median of the Capital Beltway. Tolls on the lanes can vary greatly and there is no record of historical prices on the road. The tolls discussed below are from a sample of days in May and June 2023 in the peak and off-peak periods obtained from the Express Lanes "Map your trip" section of the ExpressLanes.com website. Tolls for the full length trip from Springfield Interchange to the end near MD ranged from \$3.80 (\$0.27 per mile) in the off-peak and reverse peak direction to \$23.35 (\$1.66 per mile) in the peaks. While these are the maximum and minimum tolls observed in this period, the average daytime off-peak toll was \$9.82 (\$0.70 per mile) and the average peak period/ peak direction toll was \$18.97 (\$1.35 per mile). There is no maximum toll level on this facility, as traffic demand for the express lanes increase, so does the toll. The I-95/395 express lanes are 39 miles of reversible lanes from Courthouse Road near Fredericksburg through the Springfield Interchange with I-495 to the Potomac River. Due to the reversible nature of the facility there is a limited daytime off peak period due to the time required to configure the facility for reversing directions. The tolls vary from \$15.25 (\$0.39 per mile) in the off-peak to \$48.45 (\$1.24 per mile) in the peak. While these are the maximum and minimum tolls observed in this period, the average daytime off-peak toll was \$23.35 (\$0.60 per mile) and the average peak period toll was \$40.54 (\$1.04 per mile). There is no maximum toll level on this facility, as traffic demand for the express lanes increase, so does the toll.

I-66 inside the Beltway allows SOVs to access the 10-mile road that was previously available to only HOVs in the peak period and peak direction, eastbound into Washington DC from 5:30-9:30 AM and westbound from the city between 3:00-7:00 PM. Tolls for the I-66 SOVs are dynamic, increasing with demand to ensure smooth flow and reliable travel times for all users. Tolls on I-66 range from \$2.00 (\$0.20 per mile) to \$27.44 (\$2.77 per mile). There is no maximum toll for SOVs to ensure that free flow travel times are maintained.

While these are the maximum and minimum tolls observed in this period, the average daytime off-peak toll was $9.82 ($0.70 per mile) and the average peak period/peak direction toll was $18.97 ($1.35 per mile). There is no maximum toll level on this facility, as traffic demand for the express lanes increase, so does the toll.



Q. Does TRIP II charge a toll for all users of the Greenway?

A. No. Section 33.1-252 of the Code requires TRIP II to provide free passage on the Greenway to numerous agencies, state officers, and state employees[13] in performance of their official duties, including employees of VDOT and emergency medical services vehicles. School buses, public transit buses, and any commuter bus having a capacity of 20 or more passengers that is regularly used to transport workers to and from work, such as the Loudoun County Commuter Bus

[13] This includes, but is not limited to, members of the Commonwealth Transportation Board, officers and employees of the Department of State Police, employees of the Department of Motor Vehicles, regional jail offices, animal wardens, the Director and officers of the Department of Game and Inland Fisheries, persons operating fire-fighting equipment and ambulances, operators of school buses being used to transport pupils to and from school, employees of any transportation facility created pursuant to the Act, and operators of commuter buses having a capacity of 20 or more passengers and public transit buses.

Service, are also provided free passage. In addition, WMATA is also provided free passage on the roadway.

In 2022, the Greenway accommodated more than 148,000 of these non-revenue trips, which represented more than $814,214 in potential revenue contributed by TRIP II for the good of the benefit of residents of Loudoun County. Since 2010, the Greenway has accommodated over 2.3 million non-revenue trips, equivalent to over $11.4 million in lost revenue.

Finally, at the height of the Covid pandemic (April 1-June 30, 2020) TRIP II initiated a program whereby healthcare professionals and first responders could travel on the Greenway free of tolls. This program was in recognition of the risk and stress assumed by those courageous workers in order to keep our communities safe. The cost of this program to TRIP II was roughly $46,000.

Q. Do all Greenway users pay the same toll price?

A. No. Toll prices vary based on the time of day, vehicle type, and point of entry or exit on the Greenway. Traffic entering and exiting at Battlefield Parkway are not currently tolled.

Q. How long is TRIP II authorized to collect tolls on the Greenway and what happens at the end of this period?

A. The original Certificate, as amended in 1994 in Case No. PUA-1990-00013, covered a 40-year operating period to April 2, 2036. This was later extended by the Commission for an additional 20 years to February 15, 2056, as part of the 2005 refinancing of TRIP II's debt approved by the Commission in Case No. PUF-2001-00017. This means that unlike a typical regulated utility with an authorized rate of return, the horizon within which TRIP II is statutorily allowed to earn a return is finite. After the specified term during which the investors have the ability to earn a return, or earlier if the Certificate of Authority is terminated, Section 56-551 of the Code dictates that:

> Upon the termination of the certificate of authority, the authority and duties of the operator under this chapter shall cease, and the highway assets and improvements of the operator shall be dedicated to the Commonwealth for highway purposes.

Once dedicated to the Commonwealth, TRIP II will cease to have any authority or duties with regard to the Greenway under the Act and the investors will have no further potential to earn a return from the Greenway.

IV. Proposed Toll Increase for the Greenway

Q. What are TRIP II's proposed tolls for the Greenway?

A. TRIP II proposes that the following tolls be approved effective January 1, 2024, or upon issuance of a final order in this proceeding (these tolls are referred to as the "Proposed Tolls"):

MAXIMUM PEAK TOLLS HOURS 6:30 AM – 9:00 AM Eastbound 4:00 PM – 6:30 PM Westbound					**OFF-PEAK, MAXIMUM BASE TOLL**				
2-Axle	**3-Axle**	**4-Axle**	**5-Axle**	**6-axle or more**	**2-Axle**	**3-Axle**	**4-Axle**	**5-Axle**	**6-axle or more**
$ 8.10	**$ 16.20**	**$ 20.25**	**$ 24.30**	**$ 24.30**	**$ 6.40**	**$ 12.80**	**$ 16.00**	**$ 19.20**	**$ 19.20**

Q. Does this request meet the statutory criteria for tolls set forth in § 56-542 D of the Act?

A. Yes. As explained by Company witness Cuneo, the proposed tolls meet the requirements of the Act as they are reasonable to the user in relation to the benefit obtained and will not materially discourage use of the roadway by the public as set forth in the Act. In addition, as explained below, these tolls will provide TRIP II no more than a reasonable return and, in fact, are nearly cash flow neutral for

TRIP II and are necessary to set TRIP II on an appropriate path to eventually have an opportunity to earn a reasonable return.

Q. In light of the lack of precedent from the Commission on the application of the recent amendments to the Act, Company witness Weller addresses an alternative method to calculate whether the proposed tolls materially discourage traffic as defined by the Act. What toll rates would be produced by the application of this alternative method?

A. While the Company does not support this alternative method to calculate material discouragement under the Act or the resulting tolls, application of this alternative method would limit the tolls to the following two-axle tolls (these tolls are referred to as the "Sample Tolls"):

Maximum Peak Toll	Maximum Off-Peak Toll
$6.45	$5.85

As explained below, these tolls would not produce sufficient revenue to allow TRIP II to cover its scheduled financial obligations and will certainly not allow TRIP II to have any pathway to an opportunity to earn a reasonable return.

Q. Is this Application asking the Commission to choose between approving the Proposed Tolls or the Sample Tolls?

A. No. TRIP II only supports and asks for approval of the Proposed Tolls or equivalent tolls that will generate the same or higher revenue for TRIP II. The Sample Tolls are simply provided for illustration of the tolls that would be produced by a method where material discouragement is assessed based on simple elasticity similar to the method used for this calculation prior to the Act being amended. As discussed below, tolls set at the level of the Sample Tolls would not generate sufficient revenue to cover TRIP II's financial obligations.

V. Reasonable Return

Q. Please describe the financial impact that the Proposed Tolls will have on TRIP II.

A. The financial impacts of the toll increase is dependent on numerous external factors that will impact the actual traffic volumes on the Greenway, such as competition from toll-free public roads and alternative modes of transportation, population and income growth, toll prices on the Dulles Toll Road, and weather events. Nevertheless, in order to provide some context, we have prepared projected cashflows to equity under several plausible scenarios for future traffic during the 2024 rate year (the twelve months beginning January 1, 2024) when the proposed tolls would be in effect to illustrate the potential financial impacts of the increased tolls on the Company's finances. Consistent with the analysis presented in the Company's prior application, the three scenarios provided include (i) negative annual traffic growth of 2.50%; (ii) annual traffic growth of 0.00%; and (iii) positive annual traffic growth of 2.50%.

My Confidential Exhibit RNH-1 includes projected cashflows to equity for the 2024 rate year based on traffic outputs from the travel demand model prepared by Steer and assuming forecasted operating costs for 2024. Capital expenditures have been forecast based on typical maintenance lifecycles and planned capital improvement projects. Distributions to equity are restricted based on the covenant tests as outlined in the bond indentures. Projected debt service and distributions to equity (currently prevented based on the covenant tests) are discussed in Section II of my testimony.

As shown in Confidential Exhibit RNH-1, even under these traffic scenarios with positive traffic growth, the revenue from the Proposed Tolls would be expected to fall over $2 million short of a break even cash flow position and would not be expected to generate any return on equity, which is nowhere near the 14.00% per annum allowed rate of return previously authorized by the Commission.

Q. Will the Proposed Tolls generate enough revenue to allow TRIP II to meet its debt service obligations?

A. Yes. As shown in Confidential Exhibit RNH-1 the expected revenues are sufficient to cover TRIP II's operating costs and debt service payments, but are insufficient to generate sufficient additional revenue to cover TRIP II's capital requirements during 2024. In addition, under any scenario TRIP II would continue to fail the relevant coverage tests under its bonds, such that TRIP II would continue to be prevented from making any distributions to investors.

Q. Pursuant to § 56-542 D, toll rates must provide the operator with no more than a reasonable rate of return as determined by the Commission. Do the Proposed Tolls meet this test?

A. Yes. The Proposed Tolls clearly provide *no more* than a reasonable return. Indeed, they provide no return at all.

Q. Will the Proposed Tolls provide an adequate opportunity for TRIP II to earn a reasonable return on invested capital?

A. As explained above, the Proposed Tolls will not generate sufficient revenue to put TRIP II in a cashflow neutral or positive position, but TRIP II believes that the Proposed Tolls, assuming they will be a first step in a series of future increases in the Company's tolls to be granted by the Commission, will allow it to continue to meet its debt service obligations and give it the opportunity to generate a reasonable return in the future. Specifically, assuming the Proposed Tolls are approved in this proceeding and additional toll rate increases are approved in the coming years, TRIP II will likely be able to establish a more firm financial position that will allow it to meet its capital obligations to both pay its debt service obligations and to eventually be able to provide dividends to its investors, in other words to be able to provide a return *of* the investment that was made in the Greenway as well as potentially permit a return *on* that investment. In any event, TRIP II understands that the achievement of a reasonable return is by no means certain.

Q. If the Commission were to approve tolls at the level of the Sample Tolls, would these rates provide an adequate opportunity for TRIP II to earn a reasonable return on invested capital?

A. No. As shown in Confidential Exhibit RNH-2, under the three traffic scenarios, TRIP II will be $10 million to $14 million short of cashflow neutral, ensuring that it would not have sufficient revenue under tolls at this level to cover its operating costs, debt service payments, and capital expenditures. Indeed, given that TRIP II must make certain capital expenditures in the upcoming year, TRIP II would not have sufficient revenue to cover its debt service obligations and would fall well short of its debt coverage tests.

Q. What is the Reinvested Earnings Account (the "REA")?

A. The REA is a mechanism the Commission established for TRIP II in Case No. PUA-1990-00013[14] to track and preserve TRIP II's ability to earn a reasonable return in light of the unique considerations that were necessary for setting tolls for

[14] *See Application of Toll Road Corporation of Virginia for a certificate of authority and approval or rates of return, toll rates and ratemaking methodology pursuant to the Virginia Highway Corporation Act of 1988*, Case No. PUA-1990-000013, Final Order (July 6, 1990) ("1990 Order").

the Greenway under the Act.[15] Specifically, the REA was established to track the hypothetical balance of invested equity capital, authorized but unearned return on equity, and actual disbursements to equity investors in TRIP II, recognizing that in later years of the Greenway's life, relatively high returns would be required in order to compensate investors for the losses incurred in the early years. The 1990 Order approved the REA as "a factor in establishing toll rates and the capital on which the Applicant will have an opportunity to earn a reasonable return, subject to the Commission's continuing jurisdiction to set tolls prospectively which provide no more than a reasonable return and does not discourage use of the road."[16]

Since construction began on the Greenway in 1993, approximately $144 million of equity capital has been contributed to fund the construction and improvement of the roadway, but equity investors have yet to fully recover their investment. In fact equity investors in the Greenway have received disbursements of only $102 million as of December 31, 2022, with the last distribution from the partnership occurring at the end of 2006, over 16 years ago.

Q. What is the current balance of the REA?

A. The REA balance is currently over $11 billion. This number represents the authorized but unearned returns since the construction of the roadway. Exhibit RNH-3 to my testimony presents further detail and supporting calculations.

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[15] *Id*. In establishing the REA, the Commission recognized that infrastructure projects such as the Greenway entail a large amount of risk, especially in the early years of the investment, because a significant amount of capital is invested up front based on projected usage. Over the longer term, a project like the Greenway will mature and the risk profile of the project may decrease. The REA was established for the sole purpose of tracking the extent to which the Greenway has or has not been able to actually earn the return that the Commission determined would be reasonable for the project. The accumulated balance demonstrates the current value of that reasonable return that TRIP II has not yet earned.

[16] *Id*. at 8.

Consistent with prior applications, TRIP II equity investors have not received a return of or on their investment in the Greenway. Total distributions from the partnership have not yet repaid equity investors their total invested equity capital.

Q. Is the REA balance likely to ever be fully recovered by TRIP II's equity investors?

A. No, it will almost certainly never be recovered.

Q. If the REA balance is unlikely to ever be fully recovered, why should the REA continue to be used to track equity investors' authorized but unearned return on equity?

A. The REA remains relevant as it was intended to continue to track equity investors' unearned returns since the opening of the Greenway. Indeed, the Commission has consistently acknowledged that future toll increases should not be judged solely on the current return being provided by those tolls, but also to the extent that those tolls would allow TRIP II's investors to recover prior unearned returns. While the full unearned return is unlikely to ever be recovered, the REA still allows the Commission to keep track of the prior unearned returns and consider this when evaluating whether the tolls provide no more than a reasonable return.

Q. TRIP II proposed the REA understanding that it could not earn a current return and was willing to wait to earn a return until a future period. Why is TRIP II now asking the Commission to consider the ability of the Proposed Tolls to eventually generate a return?

A. While investors in a project like the Greenway understand that they may need to be patient to earn a return, like any other capital investment there needs to be an opportunity to earn a return. As discussed above, the Certificate ends in 2056 along with TRIP II's ability to collect tolls after which time the investors will have no further potential to earn a return from the Greenway. Accordingly, TRIP II is nearly halfway through its concession period and has not yet been able to return its initial equity investment, and without sufficient toll increases will quickly lose the ability to generate sufficient return over the life of the roadway. Without a realistic opportunity to meet its financial obligations, including its debt service, and earn a reasonable return from the Greenway in the near future, there will simply be no financial basis for TRIP II to commit or attract capital for future required capital investments, including a new tolling system and other major future capital works as required by the Comprehensive Agreement to keep the road operating through the end of the Certificate.

Q. In TRIP II's most recent rate case, Case No. PUR-2019-00218, Commission Staff recommended that the REA be supplemented with additional financial measurements to assess the reasonableness of TRIP II's return on equity ("ROE"). Is TRIP II providing additional financial measures in this application?

A. Yes. Consistent with the analysis TRIP II provided during the course of the prior rate proceeding, <u>Exhibit RNH-4</u> presents an internal rate of return ("IRR") analysis.

In the context of an investment, the net present value ("NPV") is the present value of all cash flows, where those cash flows are discounted by an assumed rate (which could be the return on equity) to account for the time value of money. The IRR is the discount rate needed to set the NPV to zero. Another way to look at it is in the context of making an investment today – the IRR is the discount rate required such that the present discounted value of all cash flows from that investment is equal to the initial cash outlay for the investment. For example, if you were to invest $1 today and receive $2 in 5 years' time, your 'return' could simplistically be viewed as 100%, but taking into account the amount of time your $1 was invested gives an IRR of approximately 14.9%. This is the equivalent to the return you earned on your $1 each year it was invested. If you discount $2 over 5 years using a discount rate of approximately 14.9%, you will get an NPV of $1. As such, the IRR calculation accounts for both the size and timing of cash flows in and out of an investment.

Accordingly, the IRR approach allows the calculation to appropriately account for several factors when evaluating the return to TRIP II's investors: (i) equity capital was invested into TRIP II over the course of several years; (ii) distributions to equity have only been paid three times over the life of the road; and (iii) the allowed ROE has changed over time. This calculation results in an allowed IRR of 17.8% for the period ending December 31, 2022, as outlined on page 1 of Exhibit RNH-4. Page 2 of Exhibit RNH-4 further shows that over the same time period, TRIP II earned an IRR of only -3.5%. As you can see, TRIP II has historically been unable to earn an adequate return based on the toll levels that have been approved.

Q. Are the tolls proposed by TRIP II in this Application specifically designed to reduce the balance of the REA?

A. No. Although the Company hopes that the tolls will allow it to meet its financial obligations, including debt service, such that it may be able to provide distributions to the ownership in the future, TRIP II has not designed the tolls to specifically begin drawing down the REA. Indeed, it is important to note that the Proposed Tolls will not even allow TRIP II to break even. Accordingly, the REA will continue to grow.

Q. Will TRIP II be able to begin providing dividends to investors if the Proposed Tolls are approved?

A. Practically, even if the Proposed Tolls are approved, it is very unlikely that TRIP II would be able to pay dividends to investors in the near future. Instead, TRIP II will need to have multiple, robust toll increases in the succeeding years along with continued traffic growth in order to generate sufficient revenue to meet its increasing financial obligations, meet its coverage ratio tests, and build up its reserves in order to have any cash that would be available to be paid as dividends. Even if the Proposed Tolls and future increases are granted and TRIP II were to meet its debt covenant tests at the end of 2024 and 2025, which is very unlikely, the requirements in the bond covenants would not permit any distribution until the end of 2027 at the earliest. Extensive near term capital investment obligations further emphasize the need for multiple, successive robust toll increases, not only to fund TRIP II's ongoing cash flow requirements, but to also give it the opportunity to make a reasonable return on investment.

Q. Do you have any final thoughts about the Company's application to increase tolls?

A. In light of the multitude of benefits the Greenway provides to Loudoun County and the region as a whole as outlined above, I would just stress the importance of granting the Proposed Tolls for the long-term financial health and viability of TRIP II and the Greenway. Filing this Application was not our first choice, given our initiatives over the past few years to achieve legislation that would facilitate distance-based tolling and lower tolls. However, in the absence of such legislation, we are obligated to seek tolls at a level that will meet our debt obligations and that will eventually allow us an opportunity to earn a reasonable return.

Q. Does this conclude your direct testimony?

A. Yes, it does.

EXHIBIT RNH-1

CONFIDENTIAL: REDACTED IN ITS ENTIRETY

EXHIBIT RNH-2

CONFIDENTIAL: REDACTED IN ITS ENTIRETY

Dulles Greenway REA Calcuation

Date	Days	Beg Balance	Equity Contributions	Equity Distributions	Net Equity Movement	Authorized Return on Equity	Allowed Return	Balance
29-Sep-93		$0	$40,000,000		$40,000,000	30.0%	$0	$40,000,000
31-Dec-93	93	$40,000,000			$0	30.0%	$3,057,534	$43,057,534
31-Dec-94	365	$43,057,534			$0	30.0%	$12,917,260	$55,974,795
31-Oct-95	304	$55,974,795	$2,000,000		$2,000,000	30.0%	$13,986,031	$71,960,825
31-Dec-95	61	$71,960,825	$4,435,000		$4,435,000	30.0%	$3,607,899	$80,003,724
8-Jul-96	190	$80,003,724	$14,757,000		$14,757,000	30.0%	$12,493,732	$107,254,457
19-Jul-96	11	$107,254,457	$80,000,000		$80,000,000	30.0%	$969,698	$188,224,154
31-Dec-96	165	$188,224,154			$0	30.0%	$25,526,289	$213,750,444
1-May-97	121	$213,750,444	$3,067,000		$3,067,000	30.0%	$21,257,921	$238,075,365
31-Dec-97	244	$238,075,365			$0	30.0%	$47,745,525	$285,820,890
31-Dec-98	365	$285,820,890			$0	30.0%	$85,746,267	$371,567,157
31-Dec-99	365	$371,567,157			$0	25.0%	$92,891,789	$464,458,946
31-Dec-00	366	$464,458,946			$0	20.0%	$93,146,287	$557,605,233
31-Dec-01	365	$557,605,233			$0	20.0%	$111,521,047	$669,126,280
31-Dec-02	365	$669,126,280			$0	20.0%	$133,825,256	$802,951,536
31-Dec-03	365	$802,951,536			$0	20.0%	$160,590,307	$963,541,843
31-Dec-04	366	$963,541,843			$0	15.0%	$144,927,253	$1,108,469,096
2-Mar-05	61	$1,108,469,096		-$69,643,064	-$69,643,064	15.0%	$27,787,650	$1,066,613,682
29-Dec-05	302	$1,066,613,682		-$19,802,752	-$19,802,752	15.0%	$132,376,986	$1,179,187,915
31-Dec-05	2	$1,179,187,915			$0	15.0%	$969,196	$1,180,157,111
31-Dec-06	365	$1,180,157,111		-$12,270,735	-$12,270,735	15.0%	$177,023,567	$1,344,909,943
31-Dec-07	365	$1,344,909,943			$0	15.0%	$201,736,491	$1,546,646,434
31-Dec-08	366	$1,546,646,434			$0	15.0%	$232,632,573	$1,779,279,007
31-Dec-09	365	$1,779,279,007			$0	14.0%	$249,099,061	$2,028,378,068
31-Dec-10	365	$2,028,378,068			$0	14.0%	$283,972,930	$2,312,350,998
31-Dec-11	365	$2,312,350,998			$0	14.0%	$323,729,140	$2,636,080,137
31-Dec-12	366	$2,636,080,137			$0	14.0%	$370,062,318	$3,006,142,456
31-Dec-13	365	$3,006,142,456			$0	14.0%	$420,859,944	$3,427,002,400
31-Dec-14	365	$3,427,002,400			$0	14.0%	$479,780,336	$3,906,782,736
31-Dec-15	365	$3,906,782,736			$0	14.0%	$546,949,583	$4,453,732,319
31-Dec-16	366	$4,453,732,319			$0	14.0%	$625,230,805	$5,078,963,124
31-Dec-17	365	$5,078,963,124			$0	14.0%	$711,054,837	$5,790,017,961
31-Dec-18	365	$5,790,017,961			$0	14.0%	$810,602,515	$6,600,620,476
31-Dec-19	365	$6,600,620,476			$0	14.0%	$924,086,867	$7,524,707,343
31-Dec-20	366	$7,524,707,343			$0	14.0%	$1,056,345,217	$8,581,052,560
31-Dec-21	365	$8,581,052,560			$0	14.0%	$1,201,347,358	$9,782,399,918
31-Dec-22	365	$9,782,399,918			$0	14.0%	$1,369,535,989	**$11,151,935,907**
Net Contributions/ (Distributions)			**$144,259,000**	**-$101,716,551**	**$42,542,449**			

1) The allowed return and account balances for years 1999 through 2002 do not agree with those presented in Attachment B to the TRIP II application in Case No. PUE-2003-00230. The current calculation uses the return on equity approved in the Opinion and Final Order, Case No. PUA900013.

2) With respect to the items set forth in the Equity Contribution/(Distribution) column, please note the following:

a) The amount of $40,000,000 represents the original paid-in equity contemplated in the originally approved financing in 1993;

b) The amounts of $2,000,000, $4,435,000, and $14,757,000 represent additional equity contributions from the partners required under an agreement with the lenders to TRIP II;

c) The amount of $80,000,000 represents the sum of a draw of $40,000,000 under the standby equity letter of credit plus a draw of $40,000,000 under the supported revolver letter of credit. The $80,000,000 is additional paid-in equity. The letters of credit were established in connection with the originally approved financing in 1993;

d) The amount of $3,067,000 represents additional equity contributions from certain limited partners required under an agreement with the lenders to TRIP II; and

e) The amounts of $69,643,064, $19,802,752 and $12,270,735 represent distributions to investors.

3) TRIP II has determined that the REA calculation above does not account for leap years. TRIP II continues to present the REA as previously presented and approved by the Commission; however, correction of this error would reduce the REA balance by approximately $30 million.

Weighted Authorised Return Since Inception

Date	Days	Beg Balance	Equity Contributions	Equity Distributions	Net Equity Movement	Authorized Return on Equity	Allowed Return	Balance
29-Sep-93		$0	$40,000,000		$40,000,000	30.0%	$0	$40,000,000
31-Dec-93	93	$40,000,000			$0	30.0%	$3,057,534	$43,057,534
31-Dec-94	365	$43,057,534			$0	30.0%	$12,917,260	$55,974,795
31-Oct-95	304	$55,974,795	$2,000,000		$2,000,000	30.0%	$13,986,031	$71,960,825
31-Dec-95	61	$71,960,825	$4,435,000		$4,435,000	30.0%	$3,607,899	$80,003,724
8-Jul-96	190	$80,003,724	$14,757,000		$14,757,000	30.0%	$12,493,732	$107,254,457
19-Jul-96	11	$107,254,457	$80,000,000		$80,000,000	30.0%	$969,698	$188,224,154
31-Dec-96	165	$188,224,154			$0	30.0%	$25,526,289	$213,750,444
1-May-97	121	$213,750,444	$3,067,000		$3,067,000	30.0%	$21,257,921	$238,075,365
31-Dec-97	244	$238,075,365			$0	30.0%	$47,745,525	$285,820,890
31-Dec-98	365	$285,820,890			$0	30.0%	$85,746,267	$371,567,157
31-Dec-99	365	$371,567,157			$0	25.0%	$92,891,789	$464,458,946
31-Dec-00	366	$464,458,946			$0	20.0%	$93,146,287	$557,605,233
31-Dec-01	365	$557,605,233			$0	20.0%	$111,521,047	$669,126,280
31-Dec-02	365	$669,126,280			$0	20.0%	$133,825,256	$802,951,536
31-Dec-03	365	$802,951,536			$0	20.0%	$160,590,307	$963,541,843
31-Dec-04	366	$963,541,843			$0	15.0%	$144,927,253	$1,108,469,096
2-Mar-05	61	$1,108,469,096		-$69,643,064	-$69,643,064	15.0%	$27,787,650	$1,066,613,682
29-Dec-05	302	$1,066,613,682		-$19,802,752	-$19,802,752	15.0%	$132,376,986	$1,179,187,915
31-Dec-05	2	$1,179,187,915			$0	15.0%	$969,196	$1,180,157,111
31-Dec-06	365	$1,180,157,111		-$12,270,735	-$12,270,735	15.0%	$177,023,567	$1,344,909,943
31-Dec-07	365	$1,344,909,943			$0	15.0%	$201,736,491	$1,546,646,434
31-Dec-08	366	$1,546,646,434			$0	15.0%	$232,632,573	$1,779,279,007
31-Dec-09	365	$1,779,279,007			$0	14.0%	$249,099,061	$2,028,378,068
31-Dec-10	365	$2,028,378,068			$0	14.0%	$283,972,930	$2,312,350,998
31-Dec-11	365	$2,312,350,998			$0	14.0%	$323,729,140	$2,636,080,137
31-Dec-12	366	$2,636,080,137			$0	14.0%	$370,062,318	$3,006,142,456
31-Dec-13	365	$3,006,142,456			$0	14.0%	$420,859,944	$3,427,002,400
31-Dec-14	365	$3,427,002,400			$0	14.0%	$479,780,336	$3,906,782,736
31-Dec-15	365	$3,906,782,736			$0	14.0%	$546,949,583	$4,453,732,319
31-Dec-16	366	$4,453,732,319			$0	14.0%	$625,230,805	$5,078,963,124
31-Dec-17	365	$5,078,963,124			$0	14.0%	$711,054,837	$5,790,017,961
31-Dec-18	365	$5,790,017,961			$0	14.0%	$810,602,515	$6,600,620,476
31-Dec-19	365	$6,600,620,476			$0	14.0%	$924,086,867	$7,524,707,343
31-Dec-20	366	$7,524,707,343			$0	14.0%	$1,056,345,217	$8,581,052,560
31-Dec-21	365	$8,581,052,560			$0	14.0%	$1,201,347,358	$9,782,399,918
31-Dec-22	365	$9,782,399,918			$0	14.0%	$1,369,535,989	**$11,151,935,907**
Weighted allowed return (XIRR) %						**17.8%**		

Project IRR Since Inception

Date	Equity Contributions	Equity Distributions	Net Equity Movement
29-Sep-93	$40,000,000		$40,000,000
31-Dec-93			$0
31-Dec-94			$0
31-Oct-95	$2,000,000		$2,000,000
31-Dec-95	$4,435,000		$4,435,000
8-Jul-96	$14,757,000		$14,757,000
19-Jul-96	$80,000,000		$80,000,000
31-Dec-96			$0
1-May-97	$3,067,000		$3,067,000
31-Dec-97			$0
31-Dec-98			$0
31-Dec-99			$0
31-Dec-00			$0
31-Dec-01			$0
31-Dec-02			$0
31-Dec-03			$0
31-Dec-04			$0
2-Mar-05		-$69,643,064	-$69,643,064
29-Dec-05		-$19,802,752	-$19,802,752
31-Dec-05			$0
31-Dec-06		-$12,270,735	-$12,270,735
31-Dec-07			$0
31-Dec-08			$0
31-Dec-09			$0
31-Dec-10			$0
31-Dec-11			$0
31-Dec-12			$0
31-Dec-13			$0
31-Dec-14			$0
31-Dec-15			$0
31-Dec-16			$0
31-Dec-17			$0
31-Dec-18			$0
31-Dec-19			$0
31-Dec-20			$0
31-Dec-21			$0
31-Dec-22			$0
Project IRR (XIRR) since inception			**-3.5%**