



July 6, 2007

Mr. Darryl Jordan
Deputy Executive Director
Knik Arm Bridge and Toll Authority
505 West 7th Avenue
Suite 1850
Anchorage, Alaska 99501

Re: **Knik Arm Bridge – Toll Sensitivity Analysis**

Dear Mr. Jordan:

As you know, WSA tested a wide range of alternative toll rates in the updated traffic modeling analysis recently completed. Preliminary updated revenue forecasts were provided at opening year toll rates ranging from about \$3.00 to \$6.00 for a one-way trip. As requested by Citigroup, we are pleased to provide the attached graphic which shows toll sensitivity curves, for both traffic and revenue, at 2010 and 2020 levels at progressively higher toll rates.

The upper portion of the graphic shows estimated traffic on the Knik Arm Bridge, under various toll assumptions ranging from toll free to \$6.00. As might be expected, traffic on the bridge would decline at progressively higher toll rates. It is noted that the traffic estimates for the Bridge reflect both the impact of possible diversions to alternative routes, as well as changes in trip distribution patterns within the travel demand model associated with progressively higher assumed tolls on the Bridge.

This is an area which is undergoing review and further refinement as we complete the comprehensive study over the next few months. In practice, most of the traffic decay shown at progressively higher toll rates results from changes in the trip pattern distribution used in the traffic assignments; only a small part relates to traffic diversions to alternative routes. As you know, for many movements, the alternative route to the Knik Arm Bridge may be 50-80 miles farther depending on specific trip origin and destination. However, as toll rates increase, motorists may choose different destinations for certain types of trips, thereby reducing the number of total trips crossing Knik Arm.

Estimated annual toll revenue at both 2010 and 2020 levels is shown to get progressively higher as toll rates increase. Optimal toll rates are generally in the range of \$6.00, although this is also subject to refinement in later phases of the study. Note the significant increase in revenue potential at all toll rates in 2020, as compared with 2010. This reflects the significant economic growth which is expected to occur in the MAT-SU region if the Bridge is constructed.

Mr. Darryl Jordan
July 6, 2007
Page 2

These toll sensitivity curves will be included in the presentation to be made next week in Anchorage. In the meantime, please do not hesitate to call if you have any questions.

Very truly yours,

WILBUR SMITH ASSOCIATES



Edward J. Regan, III
Senior Vice President

cc: Mr. Ray Richard – WSA
Mr. Grant Holland – WSA
Ms. Kimberly Swain – Citigroup
Mr. David Livingstone – Citigroup

