



**2022 Capitalization Rate Study
Pipelines - Gas**

FINAL

Completed: April 21, 2022

MONTANA DEPARTMENT OF REVENUE

Yield Capitalization Rate Conclusion

Industry: Pipelines - Gas

2022 Assessment Year

Capital Structure ^[1]

| | |
|--------|---------------|
| Equity | 50.00% |
| Debt | 50.00% |

Equity Cost of Capital

| | | Weighting |
|--|----------------------|------------------|
| Capital Asset Pricing Model - Ex Post ^[2] | 12.38% | 35% |
| Capital Asset Pricing Model - Ex Ante ^[2] | 10.21% | 35% |
| 3 Stage Dividend Discount Model - Dividends ^[3] | 26.70% | 15% |
| 3 Stage Dividend Discount Model - Earnings ^[3] | 13.25% | <u>15%</u> |
| Weighted Average | <u>13.90%</u> | 100% |
| Selected Cost of Equity | <u>13.90%</u> | |

Debt Cost of Capital

| | | Weighting |
|--|---------------------|------------------|
| A - Mergent's - Avg. YTM of A Rated Corporate Bonds ^[4] | 3.04% | 0% |
| Baa - Mergent's - Avg. YTM of Baa Rated Corporate Bonds ^[4] | 3.37% | 20% |
| Ba - Avg of MTDOR Study, Bloomberg and Capital IQ ^[5] | 5.31% | 60% |
| B - Avg of MTDOR Study, Bloomberg and Capital IQ ^[5] | 7.81% | <u>20%</u> |
| Weighted Average | <u>5.42%</u> | 100% |
| Selected Cost of Debt | <u>5.42%</u> | |

Weighted Average Cost of Capital (WACC)

| Source of Capital | Capital Structure | Capital Cost of Capital | Marginal Tax Rate | After-tax Cost of Capital | Weighted Cost |
|--------------------------|--------------------------|--------------------------------|--------------------------|----------------------------------|----------------------|
| Equity | 50.00% | 13.90% | | 13.90% | 6.95% |
| Debt | 50.00% | 5.42% | 24.00% | 4.12% | 2.06% |
| WACC | 100.00% | | | | 9.01% |
| WACC (Rounded) | | | | | 9.05% |

Notes

[1] From worksheet: Capital Structure

[2] From worksheet: Capital Asset Pricing Model Summary

[3] From worksheet: Yield Equity Summary

[4] January 2022, Mergent Bond Record

[5] Average corporate bond yields from: Montana Department of Revenue High Yield Debt Study and Kroll Capitalization Rate Study.

MONTANA DEPARTMENT OF REVENUE

Direct Capitalization Rate Conclusion

Industry: Pipelines - Gas

2022 Assessment Year

Capital Structure ^[1]

| | |
|--------|---------------|
| Equity | 50.00% |
| Debt | 50.00% |

Equity Capitalization Rate ^[2]

| | |
|---------------|---------------|
| NOI After-tax | 9.65% |
| GCF | 15.10% |

Debt Capitalization Rate ^[3]

| | |
|--------------------------|--------------|
| Calculated Current Yield | 4.70% |
|--------------------------|--------------|

NOI After-tax Direct Capitalization Rate

| Source of Capital | Capital Structure | Capitalization Rate | Marginal Tax Rate | After-tax Capitalization Rate | Weighted Capitalization Rate |
|------------------------|-------------------|---------------------|-------------------|-------------------------------|------------------------------|
| Equity | 50.00% | 9.65% | | 9.65% | 4.83% |
| Debt | 50.00% | 4.70% | 24.00% | 3.57% | 1.79% |
| Total | 100.00% | | | | 6.61% |
| Total (Rounded) | | | | | 6.65% |

GCF Direct Capitalization Rate

| Source of Capital | Capital Structure | Capitalization Rate | Marginal Tax Rate | After-tax Capitalization Rate | Weighted Capitalization Rate |
|------------------------|-------------------|---------------------|-------------------|-------------------------------|------------------------------|
| Equity | 50.00% | 15.10% | | 15.10% | 7.55% |
| Debt | 50.00% | 4.70% | 24.00% | 3.57% | 1.79% |
| WACC | 100.00% | | | | 9.34% |
| Total (Rounded) | | | | | 9.35% |

Notes:

[1] From worksheet: Capital Structure

[2] From worksheet: Direct Equity Summary

[3] From worksheet: Calculated Current Yield

MONTANA DEPARTMENT OF REVENUE

Selection of Guideline Companies

Industry: Pipelines - Gas

2022 Assessment Year

Screening Requirements:

The universe of companies is all companies listed in Value Line under the Pipeline MLPs industry.

Companies were then selected using the following screening criteria:

1. Primarily engaged in the gathering, treating, processing, and/or transportation of natural gas and natural gas liquids.
2. Actively traded on an American exchange.
3. Incorporated as a limited partnership.
4. Primarily onshore operations.
5. No significant merger & acquisition activity during the year.

| Company Ticker | Transportation etc. of NG & NGL's | Actively traded on an American Exchange | Incorporated as LP | Primarily Onshore Operations | Consider as Potential Guideline Company | Not Engaged in Material M&A Activity | Use as Guideline Company | Note |
|-----------------------|--|--|---------------------------|-------------------------------------|--|---|---------------------------------|-------------|
| BKEP | No | | | | | | | |
| BPMP | No | | | | | | | |
| CAPL | No | | | | | | | |
| CEQP | No | | | | | No | | |
| CQP | No | | | | | | | |
| DCP | Yes | Yes | Yes | Yes | Yes | Yes | Yes | |
| DKL | No | | | | | | | |
| ENBL | Yes | Yes | Yes | Yes | Yes | No | No | [1] |
| EPD | Yes | Yes | Yes | Yes | Yes | Yes | Yes | |
| ET | Yes | Yes | Yes | Yes | Yes | No | No | [2] |
| GEL | No | | | | | | | |
| GLP | No | | | | | | | |
| GPP | No | | | | | | | |
| HEP | No | | | | | | | |
| HESM | Yes | Yes | Yes | Yes | Yes | Yes | Yes | |
| MMLP | Yes | Yes | Yes | No | | | | |
| MMP | No | | | | | | | |

MONTANA DEPARTMENT OF REVENUE

Selection of Guideline Companies

Industry: Pipelines - Gas

2022 Assessment Year

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| Company Ticker | Transportation etc. of NG & NGL's | Actively traded on an American Exchange | Incorporated as LP | Primarily Onshore Operations | Consider as Potential Guideline Company | Not Engaged in Material M&A Activity | Use as Guideline Company | Note |
|-----------------------|--|--|---------------------------|-------------------------------------|--|---|---------------------------------|-------------|
| MPLX | No | | | | | | | |
| NGL | No | | | | | | | |
| NS | No | | | | | | | |
| OMP | No | | | | | No | | |
| PAA | No | | | | | | | |
| PAGP | No | | | | | | | |
| PBFX | No | | | | | | | |
| PSXP | No | | | | | | | |
| RTL | No | | | | | | | |
| SHLX | No | | | | | | | |
| SMLP | Yes | Yes | Yes | Yes | Yes | Yes | Yes | |
| SPH | No | | | | | | | |
| SRLP | No | | | | | | | |
| WES | Yes | Yes | Yes | Yes | Yes | Yes | Yes | |

[1] ENBL is set to be acquired by Energy Transfer (ET)

[2] ET is set to acquire ENBL

MONTANA DEPARTMENT OF REVENUE

Support for Capital Structure
Industry: Pipelines - Gas
2022 Assessment Year

(\$ and Shares Outstanding In Millions, Except Per Share Amounts)

| A | B | C | D | E | F | G | H | I | J | K | L | M | N |
|----------------------|------------------------------|-------------------|--------------------|--------------------|---------------------------------|-----------------|--------------------|-------------------|------------------------|---|------------|-------------|--------------------|
| Ticker | Company | Industry Group | Financial Strength | Shares Outstanding | End of Year Closing Stock Price | MV Common Stock | MV Preferred Stock | MV Long Term Debt | PV of Operating Leases | Total Common, Preferred, LT Debt, & Op Leases | % Common | % Preferred | % Debt & Op Leases |
| | | <i>Value Line</i> | <i>Value Line</i> | <i>10-K</i> | <i>Yahoo</i> | <i>ExF</i> | <i>10-K</i> | <i>10-K</i> | <i>10-K</i> | <i>G+H+I+J</i> | <i>G/K</i> | <i>H/K</i> | <i>(I+J)/K</i> |
| | | | | | | | <i>Note [1]</i> | <i>Note [2]</i> | | | | | |
| DCP | DCP Midstream LP | PIPEMLP | B+ | 208.37 | 27.48 | 5,726 | 751 | 6,095 | 119 | 12,691 | 45% | 6% | 49% |
| EPD | Enterprise Products | PIPEMLP | B++ | 2,176.38 | 21.96 | 47,793 | 49 | 33,480 | 108 | 81,431 | 59% | 0% | 41% |
| HESM | Hess Midstream Partners LP | PIPEMLP | B+ | 33.67 | 27.63 | 930 | 0 | 2,649 | 0 | 3,579 | 26% | 0% | 74% |
| SMLP | Summit Midstream Partners LP | PIPEMLP | C | 7.17 | 22.20 | 159 | 276 | 1,349 | 3 | 1,787 | 9% | 15% | 76% |
| WES | Western Midstream Part. | PIPEMLP | B | 402.99 | 22.27 | 8,975 | 0 | 7,794 | 46 | 16,814 | 53% | 0% | 47% |
| All Companies | | | | | | 63,584 | 1,076 | 51,366 | 277 | 116,302 | 55% | 1% | 44% |
| | Average | | | | | | | | | | 38% | 4% | 57% |
| | Median | | | | | | | | | | 45% | 0% | 49% |
| | Trimmed Average | | | | | | | | | | 41% | 2% | 57% |
| | High | | | | | | | | | | 59% | 15% | 76% |
| | Low | | | | | | | | | | 9% | 0% | 41% |
| Selected | | | | | | | | | | | 50% | | 50% |

Notes:

- [1] Market value of preferred stock assumed to equal book value
[2] Market value of debt is fair value of long term debt from 10-K notes

MCA 15-1-210, rationale for changes to guideline companies:
2022 - Removed ENBL, ET for M&A activity

| | Median | | |
|----------------|---------------|----|-----|
| Current Year | 45% | 0% | 49% |
| Prior Year | 34% | 0% | 61% |
| 2 Years Prior | 48% | 2% | 45% |
| 3 Year Average | 42% | 1% | 52% |

MONTANA DEPARTMENT OF REVENUE

Capital Asset Pricing Model (CAPM)

Industry: Pipelines - Gas

2022 Assessment Year

$$k_e = R_f + \beta \times ERP$$

| | | <i>Ex Post</i> | <i>Ex Ante</i> |
|-----------|-------------------------------------|----------------|----------------|
| $k_e =$ | Cost of Equity | 12.38% | 10.21% |
| $R_f =$ | Risk Free Rate | 1.94% | 1.94% |
| $\beta =$ | Beta | 1.40 | 1.40 |
| $ERP =$ | Equity Risk Premium ($R_m - R_f$) | 7.46% | 5.91% |
| $R_m =$ | Market Rate of Return | 9.40% | 7.85% |

Risk Free Rate Measures (R_f):

The Value Line Investment Survey: Selection & Opinion^[1]

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Selected Yields on Taxable U.S. Treasury Securities as of 12/27/21

| | |
|---------|-------|
| 10-year | 1.48% |
| 30-year | 1.88% |

Federal Reserve Statistical Release^[2]

U.S. government securities, Treasury constant maturities, Nominal, December 31, 2021

| | |
|---------|-------|
| 10-year | 1.52% |
| 20-year | 1.94% |
| 30-year | 1.90% |

Risk Free Rate Selected 1.94%

Notes

[1] "Value Line Selection & Opinion", Value Line (January 7, 2022)

[2] <https://www.federalreserve.gov/datadownload/Choose.aspx?rel=H.15>

Ex Post - Equity Risk Premium Measures ($ERP = R_m - R_f$)

Duff & Phelps, 2022 Cost of Capital Navigator

| | | <u>R_m</u> | <u>R_f</u> | <u>ERP</u> |
|---|------------------------|-------------------------|-------------------------|---------------------|
| ERP "Historical" - <i>Ex Post</i> | <i>Arithmetic Avg.</i> | 9.40% | 1.94% | 7.46% |
| ERP "Supply-side" - <i>Ex Post</i> | <i>Arithmetic Avg.</i> | 8.16% | 1.94% | 6.22% |
| Ex Post Equity Risk Premium Selected | | <u><u>9.40%</u></u> | <u><u>1.94%</u></u> | <u><u>7.46%</u></u> |

MONTANA DEPARTMENT OF REVENUE

Capital Asset Pricing Model (CAPM)

Industry: Pipelines - Gas

2022 Assessment Year

$$k_e = R_f + \beta \times ERP$$

Ex Ante - Equity Risk Premium Measures (ERP = Rm - Rf)

DOR 3 Stage Dividend Growth Model, S & P 500, See Exhibit

| | <u>R_m</u> | <u>R_f</u> | <u>ERP</u> |
|----------------------|----------------------|----------------------|------------|
| ERP - <i>Ex Ante</i> | 8.05% | 1.94% | 6.11% |

Duff & Phelps, 2022 Cost of Capital Navigator

| | <u>R_m</u> | <u>R_f</u> | <u>ERP</u> |
|------------------------------------|----------------------|----------------------|------------|
| ERP "Conditional" - <i>Ex Ante</i> | 8.00% | 2.50% | 5.50% |

Damodaran Implied ERP (Jan 5, 2022)

| | <u>R_m</u> | <u>R_f</u> | <u>ERP</u> |
|---|----------------------|----------------------|------------|
| Implied Premium (FCFE) - <i>Ex Ante</i> | 5.76% | 1.52% | 4.24% |
| Implied Premium (FCFE with sustainable payout) - <i>Ex Ante</i> | 6.42% | 1.52% | 4.90% |

| | <u>R_m</u> | <u>R_f</u> | <u>ERP</u> |
|----------------|----------------------|----------------------|------------|
| <u>Average</u> | 7.06% | | 5.19% |
| <u>Median</u> | 7.21% | | 5.20% |
| <u>High</u> | 8.05% | | 6.11% |
| <u>Low</u> | 5.76% | | 4.24% |

Equity Risk Premium Selected

| | | |
|--------------|--------------|--------------|
| 7.85% | 1.94% | 5.91% |
|--------------|--------------|--------------|

MONTANA DEPARTMENT OF REVENUE

Support for Beta Selection in CAPM**Industry: Pipelines - Gas****2022 Assessment Year**

| A | B | C | D | E |
|------------------------|------------------------------|-----------------------|---------------------------|-------------------|
| Ticker | Company | Industry Group | Financial Strength | Beta |
| | | <i>Value Line</i> | <i>Value Line</i> | <i>Value Line</i> |
| DCP | DCP Midstream LP | PIPEMLP | B+ | 1.60 |
| EPD | Enterprise Products | PIPEMLP | B++ | 1.10 |
| HESM | Hess Midstream Partners LP | PIPEMLP | B+ | 1.10 |
| SMLP | Summit Midstream Partners LP | PIPEMLP | C | 1.80 |
| WES | Western Midstream Part. | PIPEMLP | B | 1.40 |
| Average | | | | 1.40 |
| Median | | | | 1.40 |
| Trimmed Average | | | | 1.37 |
| High | | | | 1.80 |
| Low | | | | 1.10 |
| Selected | | | | 1.40 |

MONTANA DEPARTMENT OF REVENUE

Inflation & Real Growth
Industry: Pipelines - Gas
2022 Assessment Year

| A | B | C | D | Nominal Growth | |
|---|-----------------|-------------------|----------------|----------------|--------------|
| | | | | E | F |
| Source Description | Inflation (CPI) | Real Growth (GDP) | Nominal Growth | Low | High |
| Livingston Survey ^[1] | 2.44% | 2.21% | 4.65% | | |
| Survey of Professional Forecasters ^[2] | 2.49% | 2.25% | 4.74% | | |
| Congressional Budget Office ^[3] | | | | | |
| Average | 2.47% | 2.23% | 4.70% | | |
| Median | 2.47% | 2.23% | 4.70% | | |
| High | 2.49% | 2.25% | 4.74% | | |
| Low | 2.44% | 2.21% | 4.65% | | |
| Selected | 2.45% | 2.25% | 4.70% | 4.65% | 4.74% |

| Inflationary Trend Factors | | | | | | |
|----------------------------|------------------|------------------------------|--------------------------------|-------------------------|------------------------------|--------------------------|
| Year | Dec. CPI-U Index | Percent Change From Previous | Dec. to Dec. Conversion Factor | Annual Avg. CPI-U Index | Percent Change From Previous | Annual Conversion Factor |
| | <i>Note [5]</i> | <i>Note [6]</i> | <i>Note [7]</i> | <i>Note [5]</i> | <i>Note [6]</i> | <i>Note [7]</i> |
| 2011 | 225.672 | 2.9% | 1.2354 | 224.939 | 3.1% | 1.2046 |
| 2012 | 229.601 | 1.7% | 1.2143 | 229.594 | 2.0% | 1.1802 |
| 2013 | 233.049 | 1.5% | 1.1963 | 232.957 | 1.4% | 1.1632 |
| 2014 | 234.812 | 0.8% | 1.1873 | 236.736 | 1.6% | 1.1446 |
| 2015 | 236.525 | 0.7% | 1.1787 | 237.017 | 0.1% | 1.1433 |
| 2016 | 241.432 | 2.0% | 1.1548 | 240.007 | 1.2% | 1.1290 |
| 2017 | 246.524 | 2.1% | 1.1309 | 245.120 | 2.1% | 1.1055 |
| 2018 | 251.233 | 1.9% | 1.1097 | 251.107 | 2.4% | 1.0791 |
| 2019 | 256.974 | 2.2% | 1.0849 | 255.657 | 1.8% | 1.0599 |
| 2020 | 260.474 | 1.3% | 1.0704 | 258.811 | 1.2% | 1.0470 |
| 2021 | 278.802 | 6.6% | 1.0000 | 270.970 | 4.5% | 1.0000 |

Notes

[1] Federal Reserve Bank of Philadelphia The Livingston Survey December 17, 2021 Table 3 Inflation Rate and Real GDP mean

<https://www.philadelphiafed.org/research-and-data/real-time-center/livingston-survey>

[2] Federal Reserve Bank of Philadelphia Survey of Professional Forecasters February 11, 2022 Table 8 and Table 9 Average over next 10-Year mean

<https://www.philadelphiafed.org/surveys-and-data/real-time-data-research/survey-of-professional-forecasters>

[3] Not available at study date

<https://www.cbo.gov/about/products/budget-economic-data#4>

[5] Historical Consumer Price Index for All Urban Consumers (CPI-U): U.S. city average, all items, index averages (1982-84=100, unless otherwise noted)

<https://www.bls.gov/cpi/tables/supplemental-files/historical-cpi-u-202001.pdf>

[6] (Row year - Previous Year) / Row Year

[7] Most current year / Row year

MONTANA DEPARTMENT OF REVENUE

3 Stage Dividend Discount Model (DDM)

Industry: Pipelines - Gas

2022 Assessment Year

$$k_e = (D_1 / P_0) + g$$

k_e = Cost of Equity

D_1 = Expected Dividend

P_0 = Current Price Per Share

g = Sustainable Long-Term Growth

| A | B | C | D | E | F | G | H | I |
|------------------------|------------------------------|---------------------------------|-------------------------------------|---------------------------------|--|--|--------------------------------------|--------------------------------------|
| Ticker | Company | 2021 Year End Stock Price | 2022 Est Div'ds Decl'd per sh | Expected Equity Payout Yield | Sustainable Long-Term Growth Rate ^[1] | Sustainable Long-Term Growth Rate ^[1] | Cost of Equity Dividend Growth | Cost of Equity Earnings Growth |
| | | <i>Yahoo</i> | <i>Value Line</i> | <i>D/C</i> | <i>Dividends</i> | <i>Earnings</i> | <i>E+F</i> | <i>E+G</i> |
| | | P_0 | D_1 | D_1/P_0 | g | g | k_e | k_e |
| DCP | DCP Midstream LP | 27.48 | 1.75 | 6.37% | 20.39% | 8.25% | 26.75% | 14.62% |
| EPD | Enterprise Products | 21.96 | 1.86 | 8.47% | 14.00% | 8.50% | 22.47% | 16.97% |
| HESM | Hess Midstream Partners LP | 27.63 | 0.00 | 0.00% | | | | |
| SMLP | Summit Midstream Partners LP | 22.20 | 0.00 | 0.00% | | | | |
| WES | Western Midstream Part. | 22.27 | 1.34 | 6.02% | 24.82% | 2.09% | 30.84% | 8.11% |
| Average | | | | | | | 26.69% | 13.23% |
| Median | | | | | | | 26.75% | 14.62% |
| Trimmed Average | | | | | | | 26.75% | 14.62% |
| High | | | | | | | 30.84% | 16.97% |
| Low | | | | | | | 22.47% | 8.11% |
| Selected | | | | | | | 26.70% | 13.25% |

Notes:

[1] From worksheet: DDM Sustainable Long-Term Growth

MONTANA DEPARTMENT OF REVENUE

Support for DDM - Short Term Growth Rate Calculations

Industry: Pipelines - Gas

2022 Assessment Year

| A | B | C | D | E | F | G |
|---------------|------------------------------|--|--|--|---|-----------------------------------|
| Ticker | Company | End of Year Closing Stock Price | Div'ds Decl'd per sh 2022 Est | Expected Dividend Yield | Div'ds Decl'd per sh 2024-2026 Est | Short-Term Growth Rate |
| | | <i>Yahoo</i> | <i>Value Line</i> | <i>D / C</i> | <i>Value Line</i> | <i>Note [1]</i> |
| DCP | DCP Midstream LP | 27.48 | 1.56 | 5.68% | 3.10 | 25.72% |
| EPD | Enterprise Products | 21.96 | 1.84 | 8.38% | 2.90 | 16.38% |
| HESM | Hess Midstream Partners LP | 27.63 | 0.00 | 0.00% | 0.00 | |
| SMLP | Summit Midstream Partners LP | 22.20 | 0.00 | 0.00% | 0.00 | |
| WES | Western Midstream Part. | 22.27 | 1.34 | 6.02% | 3.00 | 30.82% |

| A | B | C | D | E |
|---------------|------------------------------|--|---|-----------------------------------|
| Ticker | Company | Earnings per share 2022 Est | Earnings per share 2024-2026 Est | Short-Term Growth Rate |
| | | <i>Value Line</i> | <i>Value Line</i> | <i>Note [1]</i> |
| DCP | DCP Midstream LP | 2.25 | 3.00 | 10.06% |
| EPD | Enterprise Products | 2.20 | 2.90 | 9.65% |
| HESM | Hess Midstream Partners LP | 1.84 | 2.26 | 7.09% |
| SMLP | Summit Midstream Partners LP | 0.00 | 0.00 | |
| WES | Western Midstream Part. | 2.70 | 3.50 | 9.04% |

Notes:

[1] 4 year compound annual growth rate (CAGR) - 3 periods

MONTANA DEPARTMENT OF REVENUE

Support for DDM - Sustainable Long Term Growth

Industry: Pipelines - Gas

2022 Assessment Year

| Dividend Growth Rate | | | | | | | | | Stage 1 | | | | |
|----------------------|------------------------------|----------------------|--|--------------------------------|-------------------------|---------------------------------------|---|--------------------|----------------|----------------|----------------|----------------|----------------|
| Ticker | Company | Year End Stock Price | Expected Short-Term Dividend Growth Rate | Expected Long-Term Growth Rate | Expected Dividend Yield | Internal Rate of Return | Implied Sustainable Long-Term Growth Rate (g) | Initial Investment | D ₁ | D ₂ | D ₃ | D ₄ | D ₅ |
| | | Yahoo | Note [1] | Note [2] | D_1/P_0 | $K_e = IRR \text{ of } D_1 : D_{500}$ | $g = IRR - Div. \text{ Yield}$ | | | | | | |
| DCP | DCP Midstream LP | 27.48 | 25.72% | 4.70% | 5.68% | 26.06% | 20.39% | (27.48) | 1.56 | 1.96 | 2.47 | 3.10 | 3.90 |
| EPD | Enterprise Products | 21.96 | 16.38% | 4.70% | 8.38% | 22.38% | 14.00% | (21.96) | 1.84 | 2.14 | 2.49 | 2.90 | 3.37 |
| HESM | Hess Midstream Partners LP | 27.63 | 0.00% | 4.70% | 0.00% | | | (27.63) | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| SMLP | Summit Midstream Partners LP | 22.20 | 0.00% | 4.70% | 0.00% | | | (22.20) | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| WES | Western Midstream Part. | 22.27 | 30.82% | 4.70% | 6.02% | 30.84% | 24.82% | (22.27) | 1.34 | 1.75 | 2.29 | 3.00 | 3.92 |

| Earnings Growth Rate | | | | | | | | | Stage 1 | | | | |
|----------------------|------------------------------|----------------------|--|--------------------------------|-------------------------|---------------------------------------|---|--------------------|----------------|----------------|----------------|----------------|----------------|
| Ticker | Company | Year End Stock Price | Expected Short-Term Earnings Growth Rate | Expected Long-Term Growth Rate | Expected Dividend Yield | Internal Rate of Return | Implied Sustainable Long-Term Growth Rate (g) | Initial Investment | D ₁ | D ₂ | D ₃ | D ₄ | D ₅ |
| | | Yahoo | Note [1] | Note [2] | D_1/P_0 | $K_e = IRR \text{ of } D_1 : D_{500}$ | $g = IRR - Div. \text{ Yield}$ | | | | | | |
| DCP | DCP Midstream LP | 27.48 | 10.06% | 4.70% | 5.68% | 13.93% | 8.25% | (27.48) | 1.56 | 1.72 | 1.89 | 2.08 | 2.29 |
| EPD | Enterprise Products | 21.96 | 9.65% | 4.70% | 8.38% | 16.88% | 8.50% | (21.96) | 1.84 | 2.02 | 2.21 | 2.43 | 2.66 |
| HESM | Hess Midstream Partners LP | 27.63 | 0.00% | 4.70% | 0.00% | | | (27.63) | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| SMLP | Summit Midstream Partners LP | 22.20 | 9.04% | 4.70% | 0.00% | | | (22.20) | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| WES | Western Midstream Part. | 22.27 | 0.00% | 4.70% | 6.02% | 8.11% | 2.09% | (22.27) | 1.34 | 1.34 | 1.34 | 1.34 | 1.34 |

Notes:

[1] From worksheet: DDM Short Term Growth Rate Calculations

[2] From worksheet: Inflation & Real Growth

MONTANA DEPARTMENT OF REVENUE

Support for DDM - Sustainable Long Term Growth

Industry: Pipelines - Gas

2022 Assessment Year

| Dividend | Stage 2 | | | | | | | | | | | | | | | Stage 3 | | |
|----------|----------------|----------------|----------------|----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|------------------|
| Ticker | D ₆ | D ₇ | D ₈ | D ₉ | D ₁₀ | D ₁₁ | D ₁₂ | D ₁₃ | D ₁₄ | D ₁₅ | D ₁₆ | D ₁₇ | D ₁₈ | D ₁₉ | D ₂₀ | D ₂₁ | D ₂₂ | D ₅₀₀ |
| DCP | 4.85 | 6.02 | 7.49 | 9.31 | 11.57 | 14.39 | 17.89 | 22.24 | 27.65 | 34.37 | 42.73 | 53.13 | 66.05 | 82.11 | 102.08 | 106.88 | 111.90 | 383,124,195,509 |
| EPD | 3.90 | 4.51 | 5.21 | 6.03 | 6.97 | 8.05 | 9.31 | 10.76 | 12.44 | 14.38 | 16.62 | 19.21 | 22.21 | 25.67 | 29.68 | 31.07 | 32.53 | 111,390,989,436 |
| HESM | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0 |
| SMLP | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0 |
| WES | 5.07 | 6.54 | 8.44 | 10.89 | 14.06 | 18.15 | 23.43 | 30.24 | 39.04 | 50.39 | 65.04 | 83.95 | 108.36 | 139.87 | 180.54 | 189.03 | 197.91 | 677,624,966,364 |

| Earnings | Stage 2 | | | | | | | | | | | | | | | Stage 3 | | |
|----------|----------------|----------------|----------------|----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|------------------|
| Ticker | D ₆ | D ₇ | D ₈ | D ₉ | D ₁₀ | D ₁₁ | D ₁₂ | D ₁₃ | D ₁₄ | D ₁₅ | D ₁₆ | D ₁₇ | D ₁₈ | D ₁₉ | D ₂₀ | D ₂₁ | D ₂₂ | D ₅₀₀ |
| DCP | 2.51 | 2.76 | 3.02 | 3.32 | 3.64 | 3.99 | 4.38 | 4.80 | 5.27 | 5.78 | 6.34 | 6.96 | 7.63 | 8.37 | 9.19 | 9.62 | 10.07 | 34,483,364,879 |
| EPD | 2.91 | 3.18 | 3.47 | 3.80 | 4.15 | 4.54 | 4.96 | 5.42 | 5.93 | 6.48 | 7.08 | 7.74 | 8.47 | 9.25 | 10.12 | 10.59 | 11.09 | 37,970,792,371 |
| HESM | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0 |
| SMLP | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0 |
| WES | 1.34 | 1.35 | 1.35 | 1.36 | 1.36 | 1.37 | 1.37 | 1.37 | 1.38 | 1.38 | 1.39 | 1.39 | 1.40 | 1.40 | 1.40 | 1.47 | 1.54 | 5,270,986,853 |

MONTANA DEPARTMENT OF REVENUE

Support for Yield Capitalization Rate - Debt Rating

Industry: Pipelines - Gas

2022 Assessment Year

| A | B | C | D | E | F |
|----------------------|------------------------------|-------------------|--------------------|--------------------------|-------------------|
| Ticker | Company | Industry Group | Financial Strength | Moody's Long Term Rating | Yield to Maturity |
| | | <i>Value Line</i> | <i>Value Line</i> | <i>Moody's.com</i> | |
| DCP | DCP Midstream LP | PIPEMLP | B+ | Ba1 | 5.31% |
| EPD | Enterprise Products | PIPEMLP | B++ | Baa2 | 3.37% |
| HESM | Hess Midstream Partners LP | PIPEMLP | B+ | Ba2 | 5.31% |
| SMLP | Summit Midstream Partners LP | PIPEMLP | C | B3 | 7.81% |
| WES | Western Midstream Part. | PIPEMLP | B | Ba2 | 5.31% |
| All Companies | | | | | |
| | Average | | | | 5.42% |
| | Median | | | | 5.31% |
| | Trimmed Average | | | | 5.31% |
| | High | | | | 7.81% |
| | Low | | | | 3.37% |
| | Selected | | | | 5.42% |

**Highlighted ratings are estimated based on financial strength and historical interest coverage ratios*

MONTANA DEPARTMENT OF REVENUE

Support for Direct Capitalization - Equity Capitalization Rates

Industry: Pipelines - Gas

2022 Assessment Year

| A | B | C | D | E | F | G | H | I | J | K | L | M | N | O | P | Q | R |
|------------------------|------------------------------|---------------------------------|-----------------|------------|-----------------------|------------------|------------------------------------|-----------------------------------|---------------------------------|----------------------------|------------------------|-------------------|--------------------------------------|-------------------------------------|------------------------|----------------------|-------------|
| Ticker | Company | End of Year Closing Stock Price | VL Historic EPS | VL Est EPS | VL Historic P/E Ratio | VL Est P/E Ratio | Ke Estimate - Earnings (Hist. P/E) | Ke Estimate - Earnings (Est. P/E) | VL Historic Cash Flow Per Share | VL Est Cash Flow Per Share | VL Historic P/CF Ratio | VL Est P/CF Ratio | Ke Estimate - Cash Flow (Hist. P/CF) | Ke Estimate - Cash Flow (Est. P/CF) | Market Value of Equity | Book Value of Equity | MTBR |
| | | Yahoo | Value Line | Value Line | C/D | C/E | 1/F | 1/G | Value Line | Value Line | C/J | C/K | 1/L | 1/M | Price x Shrs | Value Line | P/Q |
| DCP | DCP Midstream LP | 27.48 | 1.59 | 2.85 | 17.28 | 9.64 | 5.79% | 10.37% | 3.35 | 3.65 | 8.20 | 7.53 | 12.19% | 13.28% | 5,726 | 5,834 | 0.98 |
| EPD | Enterprise Products | 21.96 | 2.10 | 2.20 | 10.46 | 9.98 | 9.56% | 10.02% | 3.09 | 3.10 | 7.11 | 7.08 | 14.07% | 14.12% | 47,793 | 24,353 | 1.96 |
| HESM | Hess Midstream Partners LP | 27.63 | 1.76 | 0.00 | 15.70 | | 6.37% | | 10.03 | 0.00 | 2.75 | | 36.30% | | 930 | 125 | 7.44 |
| SMLP | Summit Midstream Partners LP | 22.20 | (6.38) | 0.00 | | | | | (10.86) | 0.00 | (2.04) | | | | 159 | 1,013 | 0.16 |
| WES | Western Midstream Part. | 22.27 | 2.18 | 2.70 | 10.22 | 8.25 | 9.79% | 12.12% | 3.99 | 3.80 | 5.58 | 5.86 | 17.92% | 17.06% | 8,975 | 2,761 | 3.25 |
| Average | | | | | 13.41 | 9.29 | 7.88% | 10.84% | | | 4.32 | 6.82 | 20.12% | 14.82% | | | 2.76 |
| Median | | | | | 13.08 | 9.64 | 7.97% | 10.37% | | | 5.58 | 7.08 | 15.99% | 14.12% | | | 1.96 |
| Trimmed Average | | | | | 13.08 | 9.64 | 7.97% | 10.37% | | | 5.15 | 7.08 | 15.99% | 14.12% | | | 2.06 |
| High | | | | | 17.28 | 9.98 | 9.79% | 12.12% | | | 8.20 | 7.53 | 36.30% | 17.06% | | | 7.44 |
| Low | | | | | 10.22 | 8.25 | 5.79% | 10.02% | | | (2.04) | 5.86 | 12.19% | 13.28% | | | 0.16 |
| Selected | | | | | | | 9.65% | | | | | | 15.10% | | | | 0.75 |

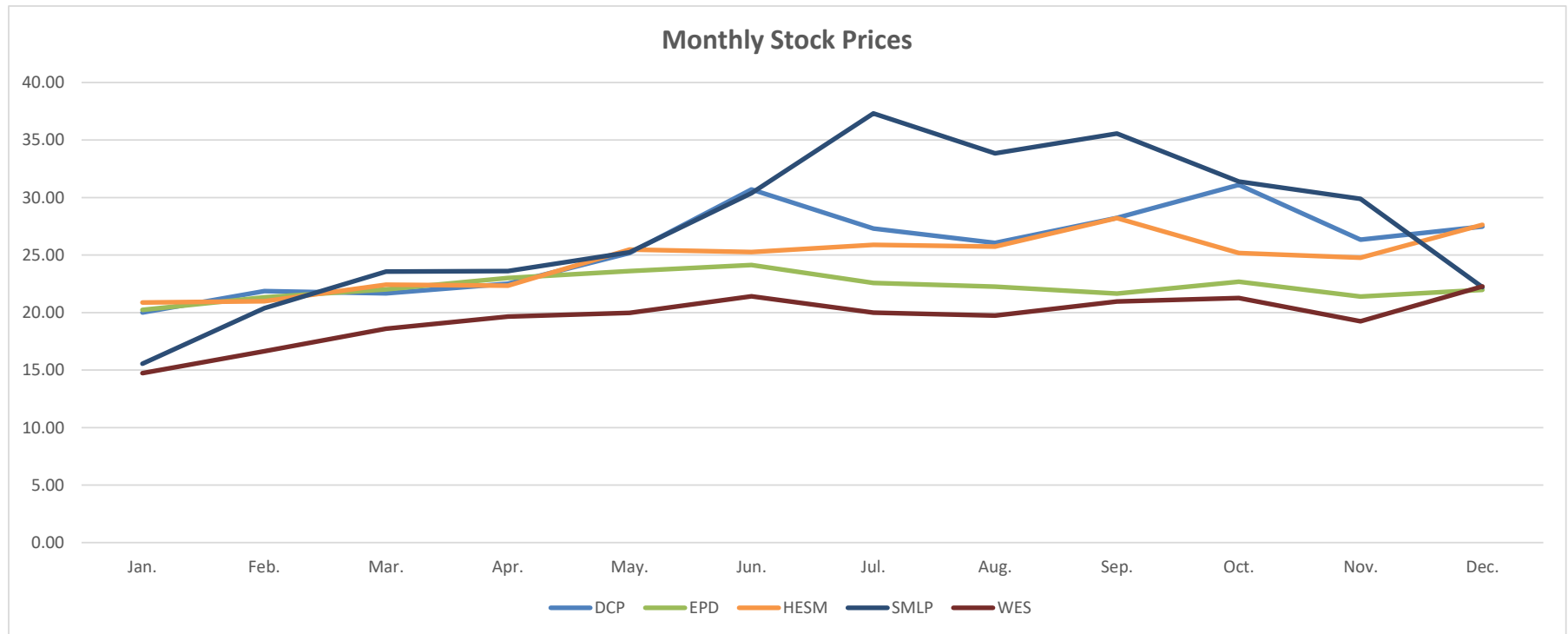
MONTANA DEPARTMENT OF REVENUE

Support of Stock Price - From YAHOO Finance

Industry: Pipelines - Gas

2022 Assessment Year

| | | End of Period Closing Stock Price | | | | | | | | | | | |
|--------|------------------------------|-----------------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 |
| A | B | C | D | E | F | G | H | I | J | K | L | M | N |
| Ticker | Company | Jan. | Feb. | Mar. | Apr. | May. | Jun. | Jul. | Aug. | Sep. | Oct. | Nov. | Dec. |
| DCP | DCP Midstream LP | 20.00 | 21.86 | 21.66 | 22.50 | 25.17 | 30.69 | 27.30 | 26.06 | 28.23 | 31.10 | 26.33 | 27.48 |
| EPD | Enterprise Products | 20.23 | 21.32 | 22.02 | 23.01 | 23.61 | 24.13 | 22.57 | 22.26 | 21.64 | 22.68 | 21.39 | 21.96 |
| HESM | Hess Midstream Partners LP | 20.87 | 20.97 | 22.42 | 22.33 | 25.47 | 25.25 | 25.88 | 25.74 | 28.21 | 25.17 | 24.76 | 27.63 |
| SMLP | Summit Midstream Partners LP | 15.55 | 20.37 | 23.57 | 23.61 | 25.24 | 30.38 | 37.31 | 33.83 | 35.55 | 31.39 | 29.88 | 22.20 |
| WES | Western Midstream Part. | 14.73 | 16.63 | 18.59 | 19.64 | 19.98 | 21.42 | 19.99 | 19.74 | 20.96 | 21.25 | 19.23 | 22.27 |



MONTANA DEPARTMENT OF REVENUE

Support for Direct Capitalization - Debt Capitalization Rate

Industry: Pipelines - Gas

2022 Assessment Year

(\$ in Millions)

| A | B | C | D | E | F | G | H | I | J |
|------------------------|------------------------------|----------------------------|--------------------------|--------------------------|-------------------------|-------------------------|--------------------|---------------|-------------|
| Ticker | Company | Current Year Interest Exp. | Previous Year MV LT Debt | Previous Year BV LT Debt | Current Year MV LT Debt | Current Year BV LT Debt | Average MV LT Debt | Current Yield | MTBR |
| | Source | 10-K | 10-K | 10-K | 10-K | 10-K | (D+F)/2 | (C/H) | (F/G) |
| DCP | DCP Midstream LP | 299 | 5,927 | 5,624 | 6,095 | 5,433 | 6,011 | 4.97% | 1.12 |
| EPD | Enterprise Products | 1,283 | 35,000 | 29,900 | 33,480 | 29,580 | 34,240 | 3.75% | 1.13 |
| HESM | Hess Midstream Partners LP | 105 | 1,991 | 1,910 | 2,649 | 2,564 | 2,320 | 4.54% | 1.03 |
| SMLP | Summit Midstream Partners LP | 66 | 1,238 | 1,347 | 1,349 | 1,355 | 1,293 | 5.12% | 1.00 |
| WES | Western Midstream Part. | 377 | 8,290 | 7,855 | 7,794 | 6,907 | 8,042 | 4.68% | 1.13 |
| All Companies | | 2,130 | | | 51,366 | 45,838 | 51,906 | 4.10% | 1.12 |
| Average | | | | | | | | 4.61% | 1.08 |
| Median | | | | | | | | 4.68% | 1.12 |
| Trimmed Average | | | | | | | | 4.73% | 1.09 |
| High | | | | | | | | 5.12% | 1.13 |
| Low | | | | | | | | 3.75% | 1.00 |
| Selected | | | | | | | | 4.70% | 1.09 |

MONTANA DEPARTMENT OF REVENUE

Maintenance Capital Expenditures Estimate Based on Guideline Companies

Industry: Pipelines - Gas

2022 Assessment Year

(\$ In Millions)

| ¹ | ² | | ³ | ⁴ | ⁵ | ⁶ | ⁷ | ⁸ | ⁹ | ¹⁰ | ¹¹ |
|------------------------|------------------------------|--------------------|------------------------|------------------------|-------------------------|-----------------------------|-------------------------------|-----------------|------------------|------------------------------|--------------------------------|
| A | B | C | D | E | F | G | H | I | J | K | L |
| Ticker | Company | Inflation | PP&E, Gross | PP&E, Gross | Average PP&E | Depreciation Expense | Average Life of Assets | | | Replacement Cost (RC) | RC as % of Depreciation |
| | | | <i>Current Year</i> | <i>Previous Year</i> | | <i>Current Year</i> | | <i>Note [1]</i> | <i>Note [1]</i> | <i>Note [1]</i> | |
| | | <i>MTDOR (CPI)</i> | <i>10-K, Notes</i> | <i>10-K, Notes</i> | <i>(D+E)/2</i> | <i>10-K</i> | <i>F/G</i> | <i>C*H</i> | <i>1/(1+C)^H</i> | <i>G*/(1-J)</i> | <i>K/G</i> |
| DCP | DCP Midstream LP | 2.45% | 13,418 | 13,420 | 13,419 | 364 | 37 | 0.90 | 0.41 | 557 | 153.01% |
| EPD | Enterprise Products | 2.45% | 59,085 | 57,498 | 58,291 | 1,724 | 34 | 0.83 | 0.44 | 2,555 | 148.24% |
| HESM | Hess Midstream Partners LP | 2.45% | 4,341 | 4,163 | 4,252 | 166 | 26 | 0.63 | 0.54 | 225 | 135.91% |
| SMLP | Summit Midstream Partners LP | 2.45% | 2,337 | 2,336 | 2,336 | 119 | 20 | 0.48 | 0.62 | 151 | 127.15% |
| WES | Western Midstream Part. | 2.45% | 12,846 | 12,642 | 12,744 | 552 | 23 | 0.57 | 0.57 | 729 | 132.14% |
| Average | | | | | | | | | | | 139.29% |
| Median | | | | | | | | | | | 135.91% |
| Trimmed Average | | | | | | | | | | | 138.77% |
| High | | | | | | | | | | | 153.01% |
| Low | | | | | | | | | | | 127.15% |
| Selected | | | | | | | | | | | 135.90% |

Notes

[1] Cornell, B. & Gerger, R. (2017). Estimating Terminal Values with Inflation: The Inputs Matter-It Is Not a Formulaic Exercise. *Business Valuation Review*, Volume 36, Number 4, 117-123.