**From:** propertytax
**To:** DOR Utility Forms
**Subject:** [EXTERNAL] 2023 Capitalization Rate Comments
**Date:** Thursday, April 13, 2023 5:00:53 PM

Here are comments on the 2023 Capitalization Rate Studies for Pipelines – Incorporated (Incorporated) and Pipelines – Liquid (Liquid).

- The selected capital structure for Incorporated and Liquid both skewed toward the lower end of the range. This is a departure from recent years' studies as capital structure historically has been towards the higher end of the range. I recommend that a capital structure of 60% equity/40% debt be used for Incorporated and 54% equity/46% debt/preferred be used for Liquid.
- For the Equity Cost of Capital, I recommend using equal weighting on the CAPM – Ex Post and 3 Stage Dividend Discount Model – Earnings.
- Removing growth from the WACC when applied in the Yield Capitalization of Free Cash Flow to the Firm model is incorrect. The WACC without adjustment is the appropriate rate to apply to the FCF as it is reflective of a going concern.

Thanks,

Matt

ONEOK

Matthew Berido
Manager – Property Tax
ONEOK, Inc.
100 W 5th St MD 10-5
Tulsa, Okla. 74103-4298
www.oneok.com [oneok.com]

Phone: 918-588-7442 | Fax: 918-588-7145
Email: propertytax@oneok.com

[twitter.com] [facebook.com] [linkedin.com]