From:	INGRANDO, LARA
To:	DOR Utility Forms
Subject:	[EXTERNAL] Montana 2026 Cap Rate Comments
Date:	Thursday, April 2, 2026 12:29:22 PM
Attachments:	2026 Kroll - AT&T Cost of Capital - Draft.pdf 2026-Capitalization-Rate-Study-Telecommunications-Large.pdf

MT Department of Revenue – Centrally Assessed Properties,

Thank you for the opportunity to provide comments on the 2026 Assessment Year Telecommunications Capitalization Rate Study. We appreciate this opportunity and hope our comments contribute meaningfully.

Attached, you will find the 2026 Large Cap Telecommunications Study conducted by Kroll

Regarding guideline companies, we are pleased to note alignment with the selections in the study and fully support those choices.

The average equity and debt percentages, based on market debt of the included guideline companies, indicates a capital structure of approximately 61% Equity and 39% Debt for the last five years. However, as highlighted in the attached study, the 2025 estimate utilized- likely more relevant for the 2026 assessment- reflects a capital structure of 65% equity and 35% debt. This also more consistent with AT&T's targeted debt to EBITDA ratio as outlined in our 4^{th} quarter earnings call:

"AT&T expects its net debt-to-adjusted EBITDA ratio to increase to approximately 3.2x following its transactions with Lumen and EchoStar and to decline to approximately 3x by the end of 2026. AT&T continues to expect net leverage will return to a level consistent with its target in the 2.5x range within approximately three years following the closing of these acquisitions. The Company expects to maintain a consistent approach to capital returns while reducing net leverage to its target range."*

In determining the selected Cost of Debt, there was a noticeable shift in the weighting within the weighted average calculation. This divergence in weightings from previous methodology disregards the Montana DOR High Yield Debt Study. We ask that the weightings be reconsidered to include the additional findings within the Montana Study through consideration for historically consistent weightings.

Regarding cost of equity, we would like to address a few differences for your consideration. The cost of equity estimates derived from the CAPM Ex Ante method (8.15%) and the 3 Stage Dividend Discount Model – Dividends (8.30%) appear low when evaluated individually. In contrast, the Kroll study, which employs additional inputs and models, estimates a cost of equity of 11.25%. This figure is consistent with the DOR's established methods. We encourage consideration of these supplementary inputs and models in your determination of the cost of equity.

We ask that these comments and the attached study performed by Kroll, be considered in the finalization process of the 2026 Cap Rate Study.

Thank you,

Lara Ingrando
Director - Tax

AT&T
208 S. Akard St., 18th Floor, Dallas, TX 75202
Cell 972.266.4907 | LI3311@att.com