



GOVERNOR GREG GIANFORTE
DIRECTOR BRENDAN BEATTY

TO: Lara Ingrando, Director - Tax
AT&T

FROM: Doug Roehm, Unit Manager
Centrally Assessed Property

DATE: April 21, 2026

SUBJECT: Response to Comments on the 2026 Capitalization Rate Study,
Telecommunications - Large

Dear Ms. Ingrando:

The department would like to thank you for taking the time to review our study and for providing additional information for us to consider. We received your submission email provided on April 2, 2025, along with a study prepared by Kroll.

The comments received along with these responses will be published on our website at:

<https://revenue.mt.gov/dor-publications/cap-rate-studies>

Based on the comments and our analysis discussed below, we did adjust the cost of equity and the cost of debt. These adjustments resulted in an increase in the Weighted Average Cost of Capital from 7.71% to 7.87% for tax year 2026.

A more detailed discussion on how we arrived at these conclusions follows.

Capital Structure

Comments were provided related to the selection of the capital structure and revolve around the difference in capital structure between Kroll's stud vs our findings as well as discussion of AT&T's targeted debt to EBITDA ratio.

As a result, we compared our capital structure to Kroll's structure as demonstrated below:

<i>Department Capital Structure</i>					
Company	MV of Equity	MV of Debt	Total Capital	% Equity	% Debt
AT&T Inc.	174,812	151,758	326,570	53.5%	46.5%
Comcast Corp.	100,689	96,433	197,122	51.1%	48.9%
T-Mobile US	224,751	121,007	345,758	65.0%	35.0%
Verizon Communic.	171,766	180,308	352,074	48.8%	51.2%
			Average:	54.6%	45.4%

<i>Kroll Capital Structure</i>					
Company	MV of Equity	MV of Debt	Total Capital	% Equity	% Debt
AT&T Inc.	175,445	127,089	302,534	58.0%	42.0%
Comcast Corp.	102,540	92,979	195,519	52.4%	47.6%
T-Mobile US	224,314	82,254	306,568	73.2%	26.8%
Verizon Communic.	171,871	139,532	311,403	55.2%	44.8%
			Average:	59.7%	40.3%

<i>Difference Kroll vs Department</i>					
Company	MV of Equity	MV of Debt	Total Capital	% Equity	% Debt
AT&T Inc.	633	(24,669)	(24,036)	4.5%	-4.5%
Comcast Corp.	1,851	(3,454)	(1,603)	1.4%	-1.4%
T-Mobile US	(437)	(38,753)	(39,190)	8.2%	-8.2%
Verizon Communic.	105	(40,776)	(40,671)	6.4%	-6.4%
			Average:	5.1%	-5.1%

Based on the comparison we observed, Kroll's Market Value of Equity was higher, Market Value of Debt was lower, and the selected capital structure is around 500 basis points (65% vs ~60%) greater than the midpoint of their indicated range.

Kroll does not provide the support for how they arrived at their Market Value of Equity, so we are unsure why their equity conclusion differs. Kroll also does not provide support for their debt inputs, however we were able to piece together that their debt is based on book values and not market value, and that they exclude the current portion of debt and operating leases from the capital structure:

<i>Kroll MV of Debt</i>		<i>Compared to Book Value of Debt from 10-K</i>			
Company	Kroll MV of Debt	BV of LTD	Current Portion of Debt	PV of Operating Leases	Total BV of Debt
AT&T Inc.	127,089	127,089	9,011	22,524	158,624
Comcast Corp.	92,979	92,979	5,958	6,096	105,033
T-Mobile US	82,254	82,254	6,298	30,185	118,737
Verizon Communic.	139,532	139,532	18,618	23,493	181,643

Ultimately, we did not change our capital structure. Each of these differences results in an increase in the assumed equity weight of the capital structure. However, our capital structure is based on the observed capital structure of the guideline companies at a market value weighting

and includes all debt-like securities. We also are using the observed capital structure of the guideline companies and are not selecting a hypothetical capital structure as appears to be the case in the Kroll study.

Cost of Debt

We also investigated the comments that relate to our selection of the debt rating and corresponding selected cost of debt for the industry as compared to the prior year.

This difference is primarily due to our exclusion of Charter from the current year's study due to material merger and acquisition activity. We did go ahead and review Charter's debt rating for tax year 2026 and concluded that Charter would still be rated as Ba and thus if were included in the study would cause a corresponding increase in our concluded cost of debt. Based on this finding and the limited guideline companies, we did go ahead and adjust the debt weightings. We also utilized the additional Bloomberg and Capital IQ, corporate bond yield information provided in the Kroll study.

The table below shows the initial and final cost of debt conclusion:

Debt Cost of Capital	Initial Study		Final	
	Yield	Weighting	Yield	Weighting
A - Avg. YTM of A Rated Corporate Bonds	5.63%	25%	5.71%	20%
Baa - Avg. YTM of Baa Rated Corporate Bonds	5.90%	75%	5.98%	60%
Ba - Avg. YTM of Ba Rated Corporate Bonds	8.13%	0%	7.39%	20%
B - Avg. YTM of B Rated Corporate Bonds	8.99%	0%	8.47%	0%
Weighted Average	5.83%	100%	6.21%	100%
Selected Cost of Debt	5.83%		6.21%	

Cost of Equity

Based on comments received during this year's comment period we did review a number of the inputs used in the various Ex Ante Capital Asset Pricing Models (CAPM). This ultimately resulted in an increase in the Ex Ante CAPM from 8.15% to 8.64%. After reviewing the various Cost of Equity conclusions with the adjusted Ex Ante CAPM we did not determine additional adjustments to the weighting of the various indicators warranted.

The table below shows the change in the Cost of Equity conclusion:

Equity Cost of Capital	Initial		Final	
	COE	Weighting	COE	Weighting
Capital Asset Pricing Model - Ex Post	10.69%	48%	10.69%	48%
Capital Asset Pricing Model - Ex Ante	8.15%	12%	8.64%	12%
3 Stage Dividend Discount Model - Dividends	9.72%	20%	9.72%	20%
3 Stage Dividend Discount Model - Earnings	<u>11.68%</u>	<u>20%</u>	<u>11.68%</u>	<u>20%</u>
Weighted Average	<u>10.39%</u>	100%	<u>10.45%</u>	100%
Selected Cost of Equity	<u>10.39%</u>		<u>10.45%</u>	