

Equities

13 May 2012 | 43 pages

Propane: How Low Can It Go?

Reducing NGL Price Deck

- **The Situation** — Over the last couple of weeks propane has come under extreme pressure and has lost nearly 18% of its value. It now appears propane inventories are on pace to surpass what we estimate is maximum available inventory levels of ~75 million Bbls by Aug or Sep. Unlike the natural gas markets, growing propane supplies have been kept in balance through exports, which are up ~22% YoY. The near-term issue is that propane export capacity is now operating at/or near max levels of 150 - 160 thousand Bbls/d and can no longer relieve the market of excess supplies. That said we estimate that propane now holds a very slight advantage to ethane as a petrochemical feedstock when taking into consideration the value of co-product production that accompanies cracking propane versus ethane. To bring the propane market back into balance and reduce excess propane inventories we estimate the petchem market only needs to shift its feedstock demand by 50 to 60 thousand Bbls/d, which at current pricing levels seems achievable.
- **Outlook** — We believe recent weakness in propane prices and the high level of seasonal inventories are likely to keep midstream NGL margins at relatively low levels throughout the remainder of the year. There are some near-term bullish factors that could help improve the current margin environment, but we see these as temporary until seasonal propane inventory levels are worked down. While some investors fear this will have a negative read through for midstream operators, we believe most of these concerns are overblown as longer-term volume growth and 2013 margin expansion seem likely.
- **Estimate Changes** — To reflect our near-term view we are lowering our NGL composite price from \$1.30/gal to \$1.09/gal and reducing our 2012 EBITDA estimates for the nine MLPs with NGL gross margin exposure by an average ~5%. These MLPs include: AMID, APL, DPM, EPD, EEP, MWE, NGLS, OKS, and WPZ.
- **Buy Weakness** — We believe our revised forecast represents a very conservative, but reasonable margin environment over the next two to three quarters. Importantly, we are not reducing any of our ratings or target prices at this time as we still believe these names will be able to meet our current distribution growth targets and are positively exposed to upstream US liquids growth through attractive returns on invested capital from midstream expansion projects. Further, we believe significant additions to propane export capacity coming on-line in 4Q:12 will act to quickly balance the propane market and improve NGL margins as propane prices should trend back to a higher correlation with the price of crude.

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See Appendix A-1 for Analyst Certification, Important Disclosures and non-US research analyst disclosures.

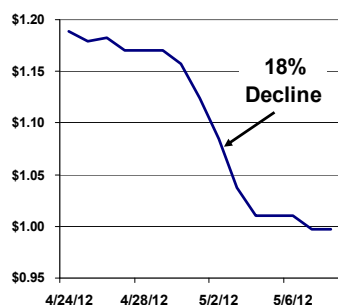
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Data Summary

Ticker	Rating		Target Price		Current Year Earnings Estimates		Next Year Earnings Estimates	
	Old	New	Old	New	Old	New	Old	New
AMID	1	1	US\$24.00	US\$24.00	US\$0.13	US\$0.04	US\$0.00	US\$-0.04
APL	1	1	US\$42.00	US\$42.00	US\$1.43	US\$1.13	US\$2.32	US\$1.92
DPM	1	1	US\$51.00	US\$51.00	US\$1.07	US\$0.85	US\$0.75	US\$0.53
EEP	1	1	US\$35.00	US\$35.00	US\$1.21	US\$1.13	US\$1.59	US\$1.50
EPD	1	1	US\$59.00	US\$59.00	US\$2.48	US\$2.40	US\$2.57	US\$2.47
MWE	1	1	US\$67.00	US\$67.00	US\$1.46	US\$0.93	US\$2.88	US\$2.15
NGLS	1	1	US\$49.50	US\$49.50	US\$1.89	US\$1.37	US\$2.73	US\$2.08
OKS	1	1	US\$66.00	US\$66.00	US\$3.06	US\$2.93	US\$2.58	US\$2.42
WPZ	1	1	US\$64.00	US\$64.00	US\$2.99	US\$2.49	US\$2.89	US\$2.42

How Low Can Propane Go?

Figure 1. Propane Price (\$/gal)

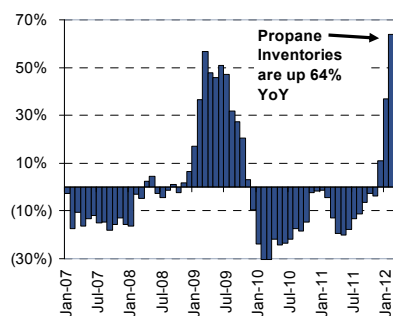


Source: Bloomberg, CIRA

We believe recent weakness in propane prices and the high level of seasonal propane inventories are likely to keep midstream NGL margins at relatively low levels throughout the remainder of the year. There are some near-term bullish factors that could help improve the current margin environment, but we see these as temporary until seasonal propane inventory levels are worked down. While some investors fear this will have a negative read through for midstream operators, we believe most of these concerns are overblown as longer-term volume growth and 2013 margin expansion seem likely. However, to reflect our near-term view we are lowering our NGL composite price from \$1.30/gal to \$1.09/gal and reducing our 2012 EBITDA estimates for the nine MLPs with NGL gross margin exposure by an average ~5%. These MLPs include: AMID, APL, DPM, EPD, EEP, MWE, NGLS, OKS, and WPZ.

We believe our revised forecast represents a very conservative, but reasonable margin environment over the next two to three quarters. Importantly, we are not reducing any of our ratings or target prices at this time as we still believe these names will be able to meet our current distribution growth targets and are positively exposed to upstream US liquids growth through attractive returns on invested capital from midstream expansion projects. Specifically, we would buy these names on any near-term weakness that is the result of low NGL margins as longer-term trends remain positive. We believe significant additions to propane export capacity coming on-line in 4Q:12 will act to quickly balance the propane market and improve NGLs margins as propane prices should trend back to a higher correlation with the price of crude. One of the primary factors driving recent weakness has been the lack of incremental export capacity that is currently operating at/or near maximum levels.

Figure 2. Propane Inventories: YoY Change



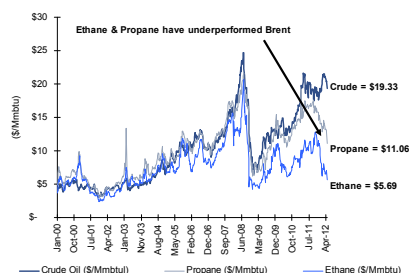
Source: EIA, CIRA

The Setup

Over the last couple of weeks propane has come under extreme pressure and has lost nearly 18% of its value (see Figure 1). This comes on the heels of the most recent propane inventory data that was released by the EIA in late April, which was the highest level in February since 1999. At current trends it now appears propane inventories are on pace to surpass what we estimate is maximum available inventory levels of ~75 million Bbls by August or September. We believe this inventory build and the concern around capacity constraints have been driven by the combination of four factors: 1) A much warmer than normal winter; 2) Petrochem plant turnarounds; 3) Surging production growth; and 4) Limited export capacity.

The good news is that we view most of these factors as temporary - with the exception of production growth which appears to be surprisingly robust and could keep pressure on propane and ethane prices throughout the rest of 2012. Importantly, however, we do not see much more down side to propane prices or a further contraction of NGL margins from current levels. We estimate at current prices and differentials that propane is competitive with ethane as a base petrochemical feedstock, which we believe will balance the market in the near-term and reduce any likelihood that inventories will fill to maximum levels. Additionally, ethane is near our long-term premium target to natural gas, which also means we do not see much more down side to it in the near-term. Also supporting lighter-end NGL feedstock prices in the near-term include petchem crackers coming back on-line at the same time NGL fractionators are going off-line for maintenance. In this note we provide our updated commodity price deck and the resulting impact on our coverage universe, along with our outlook for supply, demand, and export capacity. We also provide important conversion factors that will help investors understand how to think about current NGL market conditions. The largest caveat to our revised forecast is a substantial decline in the price of crude oil that could result from concerns in the EU and/or China, which could further reduce margins as the value of heavier NGLs would decline.

Figure 3. Liquids Prices (\$/MMBtu)

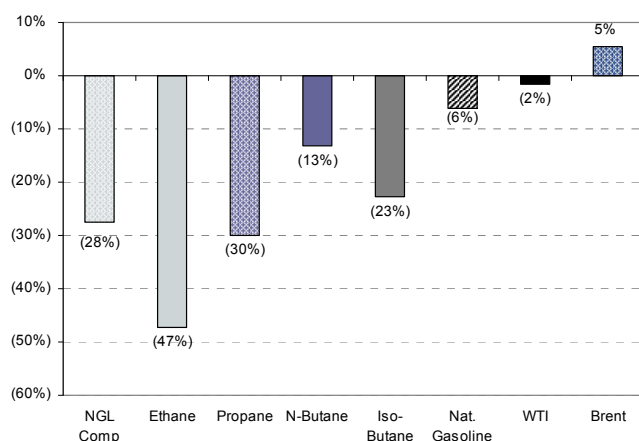


Source: Bloomberg, CIRA

Why is this Important to MLPs?

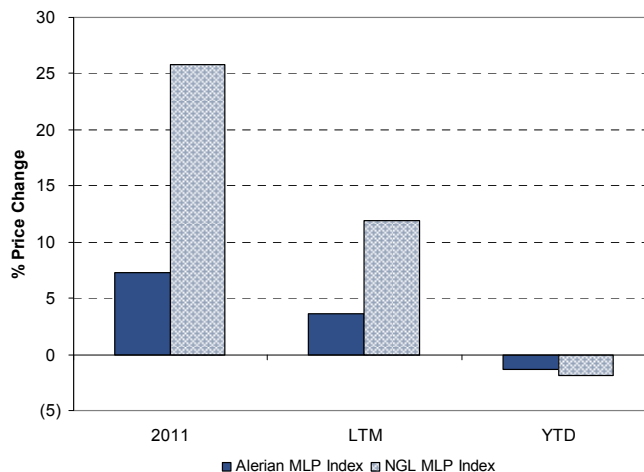
One of the best performing sectors in the midstream space has been names levered to liquids production growth and specifically NGLs (see Figure 5). Not only have upstream volumes been growing rapidly, but margins have expanded due to limited take away capacity, strong demand by the petchem industry, and wide product differentials. While many investors have focused on ethane prices as a major driver of NGL margins, propane and other heavier NGLs such as butane and natural gasoline make-up for a higher percentage of the overall value of a mixed NGL stream. These heavier liquids including propane have historically traded with the price of crude as opposed to the price of natural gas due to the ability to export these products and achieve global pricing. As a result of these higher liquids prices, NGL leveraged MLPs have enjoyed attractive product margins linked more to the price of crude versus depressed natural gas prices. With the recent shift in propane prices many investors are concerned that this virtuous cycle is over and these names are in for a difficult period. We would disagree for the most part. While margins might have seen their peak, we continue to see robust volume growth, regional price differential volatility, and attractive returns on invested capital. Additionally, most of the MLPs that operate in this sector have aggressively hedged a high percentage of their margin exposure for 2012, maintained high distribution coverage ratios, and have strong credit metrics. Therefore, we see any further downside experienced by these names as a buying opportunity.

Figure 4. YTD Price Comparison: NGLs vs. Crude Oil



Source: Bloomberg, CIRA

Figure 5. Alerian MLP Index vs. NGL MLP Index



Source: FactSet, CIRA

New Commodity Deck & Estimate Changes

In our coverage universe, there are nine MLPs that have notable direct NGL exposure either through processing contracts, NGL transportation, and/or downstream storage and fractionation. These include **AMID, APL, DPM, EPD, EEP, MWE, NGLS, OKS, and WPZ**. We have adjusted our commodity price deck to reflect current dynamics in the crude and NGL pricing environment and our outlook for lower NGL prices for the remainder of 2012 and beyond given a lower correlation of NGL prices to the price of crude oil. We believe our revised forecast represents a very conservative margin environment over the next two to three quarters. We would point out that our new estimates appear to be low relative to consensus estimates in most cases. Despite our reduced estimates we continue to remain comfortable with our long-term outlook on

these names and recommend investors take advantage of significant weakness if estimate revisions from the rest of the street weigh on unit prices. Figure 6 contains our revised estimates on these nine MLPs, while Figures 7 & 8 illustrate the changes to our commodity price deck that are driving our reduced estimates.

Figure 6. Changes to Estimates vs. Consensus

Ticker	Q2'12 Adjusted EBITDA				2012 Adjusted EBITDA				2013 Adjusted EBITDA			
	Previous	Current	% Change	Consensus	Previous	Current	% Change	Consensus	Previous	Current	% Change	Consensus
AMID	\$7.2	\$6.9	(4.2%)	\$6.8	\$29.8	\$29.1	(2.5%)	\$25.4	\$29.4	\$29.1	(1.0%)	\$29.6
APL	\$50.5	\$45.0	(10.9%)	\$51.7	\$205.1	\$188.7	(8.0%)	\$216.6	\$312.7	\$291.9	(6.7%)	\$294.7
DPM	\$56.2	\$52.7	(6.2%)	\$54.7	\$269.8	\$258.4	(4.2%)	\$258.5	\$320.8	\$307.5	(4.1%)	\$342.2
EEP	\$288.4	\$282.1	(2.2%)	\$319.8	\$1,151.6	\$1,130.3	(1.8%)	\$1,239.3	\$1,396.5	\$1,370.9	(1.8%)	\$1,436.1
EPD	\$959.5	\$934.5	(2.6%)	\$1,019.4	\$4,041.2	\$3,966.2	(1.9%)	\$4,204.7	\$4,572.9	\$4,475.8	(2.1%)	\$4,514.6
MWE	\$144.6	\$119.6	(17.3%)	\$147.5	\$662.7	\$584.6	(11.8%)	\$647.3	\$945.9	\$837.7	(11.4%)	\$814.7
NGLS	\$122.9	\$109.6	(10.8%)	\$133.6	\$545.2	\$499.0	(8.5%)	\$557.1	\$680.8	\$626.2	(8.0%)	\$640.0
OKS	\$337.1	\$315.8	(6.3%)	\$313.3	\$1,337.0	\$1,308.1	(2.2%)	\$1,283.6	\$1,456.0	\$1,421.6	(2.4%)	\$1,431.5
WPZ	\$575.3	\$523.6	(9.0%)	\$640.5	\$2,649.0	\$2,477.9	(6.5%)	\$2,558.9	\$2,929.8	\$2,773.1	(5.3%)	\$2,860.6
Average			(7.7%)				(5.3%)				(4.8%)	

Ticker	Q2 '12 EPS				2012 EPS				2013 EPS			
	Previous	Current	% Change	Consensus	Previous	Current	% Change	Consensus	Previous	Current	% Change	Consensus
AMID	\$0.01	(\$0.03)	NM	\$0.02	\$0.13	\$0.04	NM	(\$0.04)	(\$0.00)	(\$0.04)	NM	\$0.16
APL	\$0.33	\$0.23	(30.3%)	\$0.29	\$1.43	\$1.13	(21.0%)	\$1.38	\$2.32	\$1.92	(17.2%)	\$2.25
DPM	\$0.17	\$0.10	(42.5%)	\$0.29	\$1.07	\$0.85	(20.9%)	\$1.54	\$0.75	\$0.53	(28.7%)	\$2.16
EEP	\$0.31	\$0.29	(7.1%)	\$0.36	\$1.21	\$1.13	(6.2%)	\$1.35	\$1.59	\$1.50	(5.7%)	\$1.54
EPD	\$0.54	\$0.51	(5.2%)	\$0.60	\$2.48	\$2.40	(3.4%)	\$2.56	\$2.57	\$2.47	(3.8%)	\$2.69
MWE	\$0.36	\$0.20	(45.1%)	\$0.51	\$1.46	\$0.93	(36.4%)	\$2.19	\$2.88	\$2.15	(25.6%)	\$3.05
NGLS	\$0.34	\$0.19	(44.3%)	\$0.46	\$1.89	\$1.37	(27.5%)	\$2.09	\$2.73	\$2.08	(23.7%)	\$2.46
OKS	\$0.75	\$0.66	(12.7%)	\$0.75	\$3.06	\$2.93	(4.3%)	\$3.03	\$2.58	\$2.42	(6.2%)	\$2.81
WPZ	\$0.61	\$0.45	(25.8%)	\$0.78	\$2.99	\$2.49	(16.9%)	\$3.26	\$2.89	\$2.42	(16.1%)	\$3.32
Average			(26.6%)				(17.1%)				(15.9%)	

Source: CIRA, FactSet, Company Reports

Figure 7. Commodity Prices- CIRA's New Estimates

Revised Commodities Price-deck (May 2012)	Q1-A	Q2-E	Q3-E	Q4-E	2012 E	2013 E	2014 E	2015 E	2016 +
Brent Crude(\$/Bbl)	\$118	\$115	\$115	\$115	\$116	\$120	\$95	\$98	\$100
WTI Crude(\$/Bbl)	\$103	\$95	\$100	\$95	\$98	\$113	\$90	\$95	\$98
Natural Gas (\$/MMBtu)	\$2.52	\$2.00	\$2.25	\$3.00	\$2.44	\$3.85	\$4.45	\$5.00	\$5.25
NGLs (\$/gal)									
Ethane	\$0.57	\$0.40	\$0.42	\$0.47	\$0.46	\$0.48	\$0.53	\$0.57	\$0.59
Propane	\$1.26	\$0.96	\$0.96	\$1.07	\$1.06	\$1.29	\$1.24	\$1.40	\$1.43
N-Butane	\$1.92	\$1.89	\$1.89	\$1.89	\$1.90	\$2.00	\$1.58	\$1.63	\$1.67
I-Butane	\$2.04	\$1.94	\$1.94	\$1.94	\$1.97	\$2.06	\$1.70	\$1.75	\$1.79
Natural Gasoline	\$2.39	\$2.25	\$2.25	\$2.25	\$2.28	\$2.40	\$1.92	\$1.98	\$2.02
Comp NGL (\$/gal)	\$1.21	\$1.02	\$1.03	\$1.09	\$1.09	\$1.19	\$1.08	\$1.16	\$1.18
NGL (% of Brent)	43%	37%	38%	40%	39%	42%	48%	50%	50%

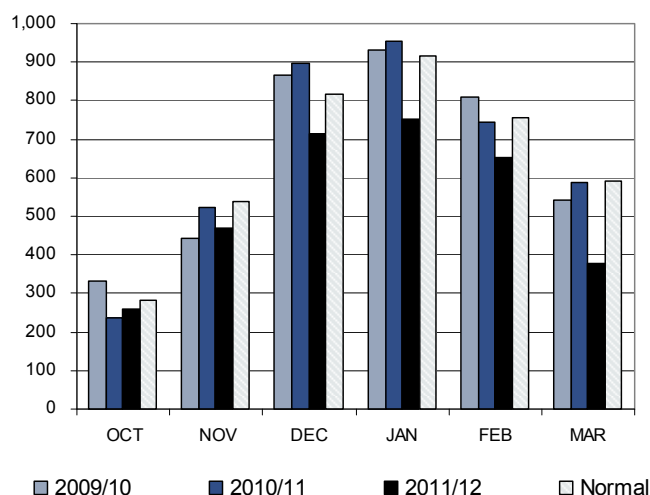
Source: Bloomberg, CIRA

Figure 8. Changes to Commodity Prices

Percent Change to Forecast	Q1-A	Q2-E	Q3-E	Q4-E	2012 E	2013 E	2014 E	2015 E	2016 +
Brent Crude(\$/Bbl)	0%	(8%)	(12%)	(8%)	(7%)	0%	0%	0%	0%
WTI Crude(\$/Bbl)	0%	(10%)	(13%)	(10%)	(8%)	0%	0%	0%	0%
Natural Gas (\$/MMBtu)	0%	0%	0%	0%	0%	0%	0%	0%	0%
Comp NGL (\$/gal)	(1%)	(20%)	(22%)	(20%)	(16%)	(13%)	(6%)	(3%)	(3%)

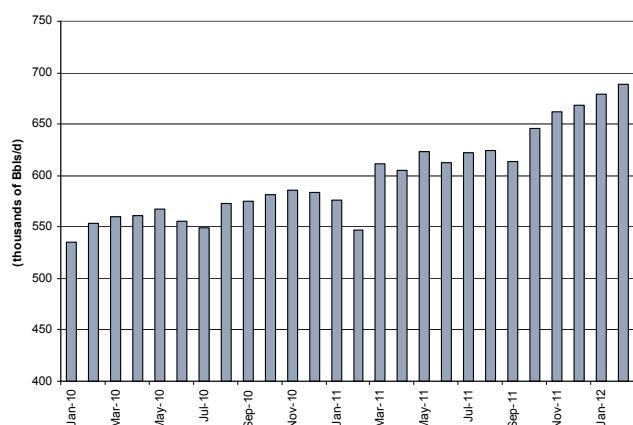
Source: Bloomberg, CIRA

Figure 9. Monthly Heating Degree Days



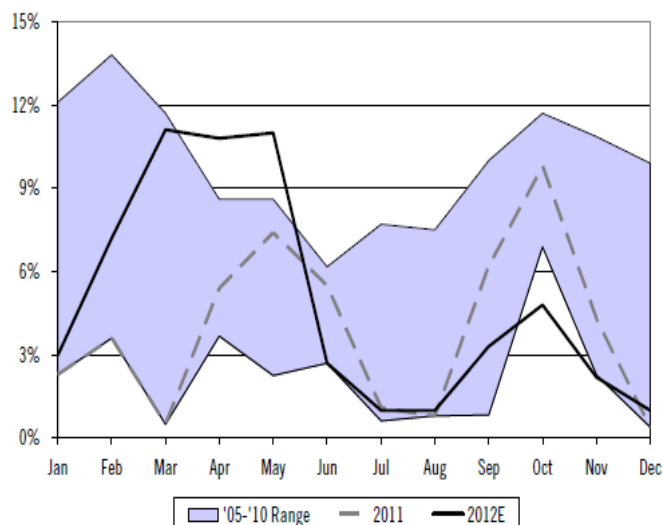
Source: NOAA, CIRA

Figure 11. US Propane Field Production



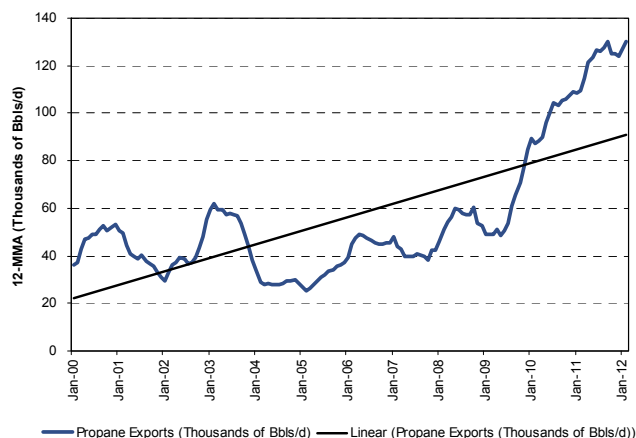
Source: EIA, CIRA

Figure 10. Petrochem Monthly Ethylene Cracker Outages (% of Capacity)



Source: CMAI, CIRA

Figure 12. US Propane Exports 12-MMA – Capacity Constrained



Source: EIA, CIRA

In the current high crude environment there is always an industry player that will consume a cheaper Btu and inevitably balance an oversupplied market to support some minimum price. For example, an oversupplied natural gas market is balanced by the power markets that can switch away from base-load coal to consume cheap natural gas. Ethane, on the other hand, is balanced by ethane rejection in regions that have high transportation and fractionation costs, mainly the marginal producers in the Rockies and Mid Con (see Figure 13). With propane, we are now seeing what it takes to balance the market and what that minimum price is going to be relative to other feedstocks used by the petchems. Importantly the balancing feedstock option is ethane and given current co-product prices we do not see much more downside. Figure 14 illustrates the economics behind feedstock price advantage/disadvantage. We now believe propane prices have reached a level that will balance the market and support prices at current levels or higher.

Figure 13. Ethane Rejection Economics

As of 5/9/2012

Commodity	Price	Quoted Unit	Heat Equivalent Mmbtu/Bbl	Price (\$/Mcf)	Volume Estimate (% of NGL Bbl)	Implied Value (% of NGL\$/Bbl)
Natural Gas	\$2.54	\$/Mcf	1.000	\$2.54		
Ethane	\$0.43	\$/Gal	3.082	\$5.83	42.6%	17.6%
Propane	\$1.00	\$/Gal	3.836	\$10.92	28.3%	27.3%
N-Butane	\$1.79	\$/Gal	4.326	\$17.40	7.3%	12.7%
I-Butane	\$1.86	\$/Gal	3.974	\$19.66	9.0%	16.2%
Natural Gasoline	\$2.13	\$/Gal	4.620	\$19.36	12.7%	26.2%
NGL Barrel	\$1.03	\$/Gal			100.0%	100.0%
Gallons / Bbl	42					
Crude Oil	\$113.40	\$/Bbl				
NGL-to-Crude	38.3%					
Rockies Transport	\$0.14					
Fractionation	\$0.05					
Ethane T&F	\$0.19	\$/Gal	3.082	\$2.59		
Ethane net-back				\$3.24	Ethane \$/Mcf less T&F \$/Mcf	
Ethane premium to Nat Gas				\$0.70	Will reject at below \$0.00	

Note: T&F is infrastructure cost of getting ethane from the wellhead, fractionated, and delivered to the petchem plants.

Source: CIRA

Figure 14. Ethylene Production Economics

Ethylene Cracker Economics (cents / lb)		Ethane	Propane
Raw Material Price - cents per gallon		47.00	100.00
Ethylene Cash Costs - cents per pound			
Raw Material Cost		19.74	56.25
Co-product Credit		(7.93)	(46.98)
Variable Operating Cost		3.25	3.83
Incremental Cash Cost		15.06	13.10
Fixed Cost		2.71	3.16
Production Cash Cost		17.77	16.26

Contract Ethylene Price - cents / lb	55.75	55.75
Ethylene Margin - cents / lb	37.98	39.49

Ethane Margin Advantage (Disadvantage) vs. Propane (cents / lb): (1.51)

Co-Product Analysis

Co-Product Volume, per lb of ethylene

Co-Product	Ethane	Propane
Propylene	0.04	0.40
Butadiene	0.03	0.07
Benzene	0.01	0.06
Others		

Co-Product Prices (c/lb)

Co-Product	Latest Price (c/lb)	Latest Price (c/lb)
Propylene	66.00	66.00
Butadiene	147.00	147.00
Benzene	57.03	57.03

Co-Product Credit (c/lb)

Propylene	2.38	26.40
Butadiene	3.68	10.58
Benzene	0.63	3.36
Others	1.25	6.63
Total	7.93	46.98

Conversions

Benzene	7.37	lbs per gal
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Source: CIRA

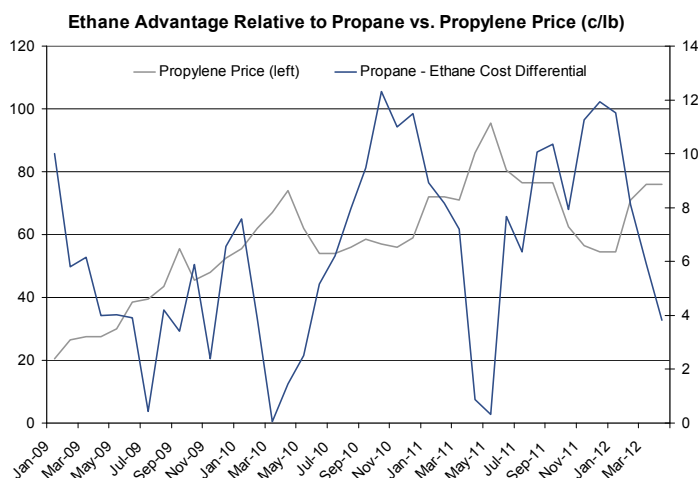
Current Prices Should Balance the Market

Propane inventories are up 64% YoY and stand at 43.4 million barrels as reported by the most recent data released by the EIA. This amount of inventory in February is the highest since 1999 and has put propane inventories on track to fill to levels not seen since 1978, which was ~93 million barrels. In the recent past, propane inventories have not surpassed 75 million barrels, which is the level that we estimate is the current inventory maximum. As a result, propane prices have plummeted and are down ~18% over the last two weeks as the market attempts to deal with the near-term perception that propane is oversupplied.

The current situation has been brought on by a combination of increasing supply, a warmer than normal winter, and limited near-term export capacity. Specifically, monthly supply is up on average ~12% YoY as a result of liquids directed drilling activity and robust midstream investment to get these new supplies to market. Demand on the other hand was significantly impaired by a much warmer than normal winter and petchem plant turnarounds. Unlike the natural gas markets, the propane market has been kept in balance through exports, which are up ~20 thousand Bbls/d YoY. The near-term issue is that propane export capacity is now operating at/or near capacity of ~150 to 160 thousand Bbls/d and can no longer relieve the market of excess supplies. Therefore price is the only near-term solution to balance the market. That said we believe the current price for propane has reached a point that should balance the market and incentivize the petrochemical market to increase its demand for propane as a feedstock. Said differently, we estimate that propane now holds a very slight advantage to ethane (see Figure 15) as a petrochemical feedstock when taking into consideration the value of co-product production that accompanies cracking propane versus ethane.

In total the US petchem market consumes 900 thousand to 1.0 million Bbls/d of ethane and 350 to 400 thousand Bbls/d of propane. To bring the propane market back into balance and reduce excess propane inventories we estimate the petchem market only needs to shift its feedstock demand by 50 to 60 thousand Bbls/d, which at current pricing levels seems achievable. Adjusting propane demand by this amount we estimate seasonal inventory levels reaching a peak of ~75 million Bbls, which is inline with levels reached in 2009.

Figure 15. Ethane Advantage Relative to Propane vs. Propylene Price

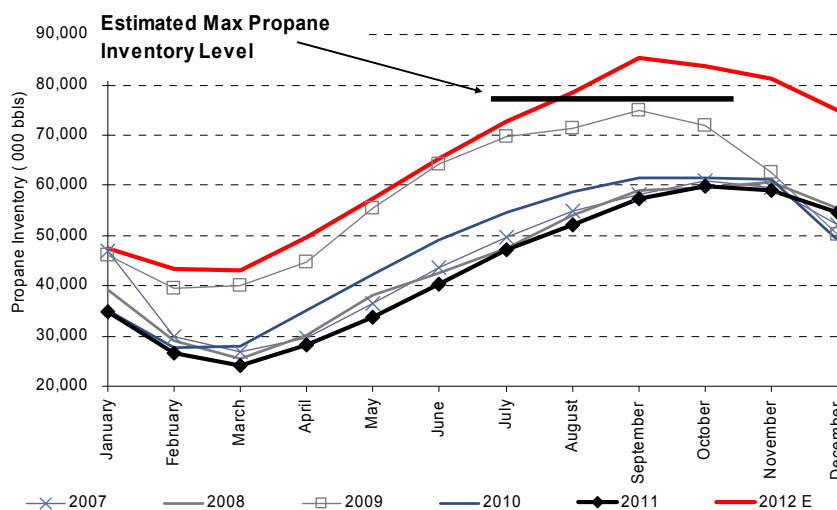


Source: Bloomberg, Citi Investment Research and Analysis

Propane Inventory Model

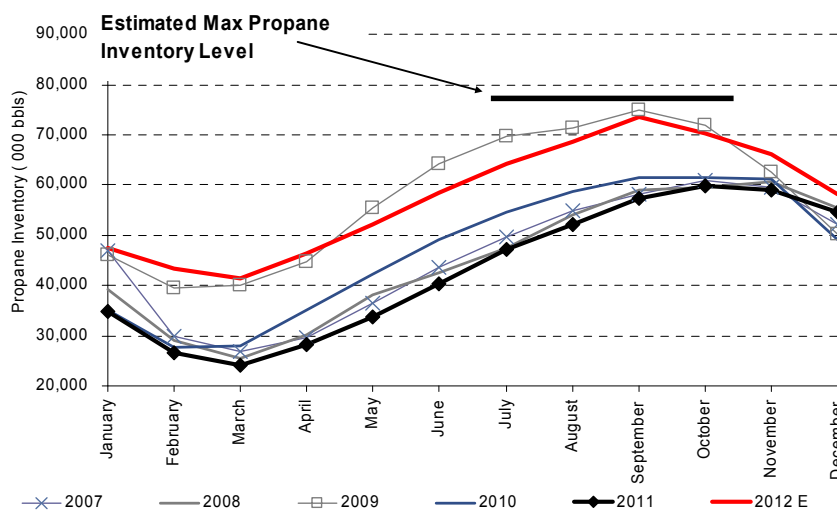
Figure 16 illustrates historical inventory levels for propane since 2005, with our estimates for 2012 without additional petchem demand to clear out oversupplies of propane. Figure 17 illustrates how incremental petchem demand of 55k Bbls/d, given propane's cost advantage to ethane as a feedstock, should clear excess inventories. It's worth noting, however that should Petchem demand materially exceed our 55k Bbls/d estimate, then the overhang on propane prices from excess inventory could dissipate sooner than expected with potential upward pressure to propane prices and improve NGL margins.

Figure 16. Propane Inventory Levels (2012 Estimate WITHOUT Additional Petchem Demand)



Source: EIA, CIRA

Figure 17. Propane Inventory Levels (2012 Estimate With 55k BBls/d of Add. Petchem Demand)



Source: EIA, CIRA

Upside Possible

While we estimate a depressed price of propane will act to balance market, there are several near-term events that could tighten the market and drive both ethane and propane prices higher. First, the petchem industry has been going through a heavy turnaround / maintenance season over the last few months which is coming to a close by the end of May (Figure 10). As these facilities come back on-line feedstock demand for NGLs will increase. At the same time there are at least two NGL fractionators that are coming off-line for maintenance, which will reduce the supply of NGLs in the market. These two events occurring simultaneously will inevitably tighten the current NGL market, but might only prove temporary once the fractionators are back on-line in July.

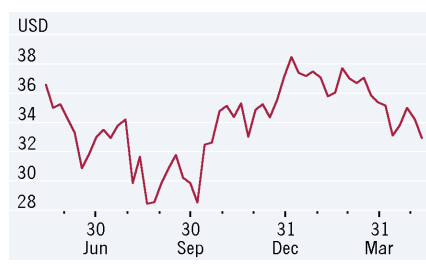
Capacity Expansions as a Safety Valve. The longer-term solution that we believe will strengthen the NGL market as a whole includes significant export capacity expansion by both EPD and NGLS. In a press release issued last week EPD mgmt highlighted that its export expansion is ahead of schedule and is expected to be completed in 4Q:12. This expansion will increase the partnership's propane export capabilities by up to 3.5 million Bbls per month (116 thousand Bbls/d) to 7.5 million Bbls per month (250 thousand Bbls/d), while it has also started de-bottlenecking its existing propane export facility to increase its capacity by up to an additional 100 thousand Bbls per month (+3 thousand Bbls/d). EPD's expansion will be followed by a propane export project of NGLS that is expected to come on-line by 3Q:13, which could drive propane export capacity up by another 3.5 million Bbls per month (116 thousand Bbls/d).

Company Focus

- Company Update
- Estimate Change

Buy	1
Price (11 May 12)	US\$32.94
Target price	US\$42.00
Expected share price return	27.5%
Expected dividend yield	7.3%
Expected total return	34.8%
Market Cap	US\$1,766M

Price Performance (RIC: APL.N, BB: APL US)



Atlas Pipeline Partners (APL) 2013 Provides Upside, Buy

- **NGL Exposure** — We estimate that about 48% of our previously est 2012 adj EBITDA of \$205 mil had exposure to unhedged NGLs. Consequently we estimate that a 16% reduction in price of a composite NGL bbl will result in about 8% reduction in partnership's 2012 adj EBITDA.
- **Hedge Book** — APL had hedged about 57% of its total NGL margin exposure, mainly through direct product hedges.
- **Maintain Buy Rating and \$42 TP** — We maintain our Buy rating and TP of \$42 for APL as we expect the partnership to still cover its projected distributions in 2012 despite a weak NGL price environment. Looking ahead, 2013 cash flows are helped by additional processing and NGL takeaway capacity coming on-line. This should allow the partnership to raise the distributions by more than 20% and still have ample coverage ratio.

Figure 18. APL, Changes to Estimates

Adjusted EBITDA (\$ Millions)	Q2 - 2012E	Q3 - 2012E	Q4 - 2012E	2012E	2013E	2014E	2015E	2016E
Current Estimates	\$45.0	\$43.3	\$50.2	\$188.7	\$291.9	\$312.9	\$336.6	\$344.5
Previous Estimates	\$50.5	\$48.5	\$55.9	\$205.1	\$312.7	\$328.5	\$340.3	\$348.3
% Change	(10.9%)	(10.7%)	(10.3%)	(8.0%)	(6.7%)	(4.7%)	(1.1%)	(1.1%)
Distributable Cash Flows (\$ Millions)	Q2 - 2012E	Q3 - 2012E	Q4 - 2012E	2012E	2013E	2014E	2015E	2016E
Current Estimates	\$30.4	\$29.1	\$35.4	\$131.4	\$217.3	\$244.5	\$257.4	\$265.8
Previous Estimates	\$35.9	\$34.3	\$41.3	\$148.0	\$239.3	\$262.2	\$264.6	\$273.4
% Change	(15.4%)	(15.3%)	(14.2%)	(11.2%)	(9.2%)	(6.7%)	(2.7%)	(2.8%)
Distributions per Unit (\$)	Q2 - 2012E	Q3 - 2012E	Q4 - 2012E	2012E	2013E	2014E	2015E	2016E
Current Estimates	\$0.56	\$0.56	\$0.58	\$2.25	\$2.76	\$3.01	\$3.16	\$3.16
Previous Estimates	\$0.56	\$0.56	\$0.58	\$2.25	\$2.76	\$3.01	\$3.16	\$3.16
% Change	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Distribution Coverage	Q2 - 2012E	Q3 - 2012E	Q4 - 2012E	2012E	2013E	2014E	2015E	2016E
Current Estimates				1.01x	1.25x	1.28x	1.24x	1.28x
Previous Estimates				1.14x	1.38x	1.37x	1.27x	1.32x
% Change				(11.2%)	(9.2%)	(6.7%)	(2.7%)	(2.8%)
Earnings per Unit (\$)	Q2 - 2012E	Q3 - 2012E	Q4 - 2012E	2012E	2013E	2014E	2015E	2016E
Current Estimates	\$0.23	\$0.21	\$0.32	\$1.13	\$1.92	\$2.29	\$2.38	\$2.55
Previous Estimates	\$0.33	\$0.30	\$0.42	\$1.43	\$2.32	\$2.61	\$2.51	\$2.69
% Change	(30.3%)	(31.8%)	(25.1%)	(21.0%)	(17.2%)	(12.3%)	(5.2%)	(5.1%)

Source: Citi Investment Research and Analysis

Distributable Cash Flow (\$ Millions)	2012E	2013E	2014E	2015E	2016E
Adjusted EBITDA	\$188.7	\$291.9	\$312.9	\$336.6	\$344.5
Interest Expense	(37.3)	(53.6)	(47.4)	(56.2)	(55.7)
Tax	0.0	0.0	0.0	0.0	0.0
Maintenance Capital Expenditures	(20.0)	(21.0)	(21.0)	(23.0)	(23.0)
Other Cash Adjustments	0.0	0.0	0.0	0.0	0.0
Distributable Cash Flow	\$131.4	\$217.3	\$244.5	\$257.4	\$265.8
Total Cash Distributions	130.0	173.5	191.5	207.7	207.7
Total Distribution Per Unit	\$2.25	\$2.76	\$3.01	\$3.16	\$3.16
Growth in Distribution Per Unit		22.7%	9.1%	5.0%	0.0%
Distribution Cash Flow Coverage:	1.01 x	1.25 x	1.28 x	1.24 x	1.28 x

Source: Citi Investment Research and Analysis

Company Focus

- Company Update
- Estimate Change

Buy	1
Price (11 May 12)	US\$20.45
Target price	US\$24.00
Expected share price return	17.4%
Expected dividend yield	8.7%
Expected total return	26.1%
Market Cap	US\$185M

Price Performance (RIC: AMID.N, BB: AMID US)



American Midstream Partners LP (AMID) Well Hedged NGL Exposure and Attractive Valuation, Buy

- **NGL Exposure** — We est that ~ 10% of our previous \$30 mil est for AMID's '12 Adj EBITDA had direct exposure to unhedged NGL prices. Consequently, the ~16% drop in our '12 E NGL composite price results in a reduction of ~2.5% in AMID's EBITDA.
- **Hedge Book** – AMID hedges its NGL exposure mainly through direct product hedges. We estimate that AMID has hedged ~ 89% of its NGL exposure
- **Maintain Buy and TP of \$24.00** — We maintain our Buy rating and TP of \$24.00. We believe the partnership should provide investors an attractive total return based on its current yield and the potential for moderate distribution growth. Our view is supported by the partnership's assets that should benefit from liquid rich drilling activity along the Gulf Coast, numerous expansion opportunities and a conservative balance sheet. Our TP of \$24 is based on AMID achieving a distribution of \$1.85/unit 12 mos from now and units trading with a yield of 7.50%.

Figure 19. AMID, Changes to Estimates

Adjusted EBITDA (\$ Millions)	Q2-2012 E	Q3-2012 E	Q4-2012 E	2012E	2013E	2014E	2015E	2016E
Current Estimates	\$6.93	\$7.11	\$7.70	\$29.1	\$29.1	\$24.3	\$24.0	\$23.9
Previous Estimates	\$7.23	\$7.51	\$7.75	\$29.8	\$29.4	\$25.3	\$25.0	\$24.9
Change (%)	(4.2%)	(5.3%)	(0.7%)	(2.5%)	(1.0%)	(4.1%)	(4.1%)	(4.2%)
Distributable Cash Flow (\$ Millions)	Q2-2012 E	Q3-2012 E	Q4-2012 E	2012E	2013E	2014E	2015E	2016E
Current Estimates	\$5.28	\$5.46	\$6.05	\$20.9	\$22.0	\$16.9	\$16.2	\$15.6
Previous Estimates	\$5.58	\$5.86	\$6.10	\$21.7	\$22.3	\$18.0	\$17.4	\$16.9
Change (%)	(5.4%)	(6.9%)	(0.9%)	(3.5%)	(1.4%)	(6.2%)	(6.7%)	(7.3%)
Distributions / Unit (\$)	Q2-2012 E	Q3-2012 E	Q4-2012 E	2012E	2013E	2014E	2015E	2016E
Current Estimates	\$0.43	\$0.44	\$0.46	\$1.76	\$1.87	\$1.87	\$1.87	\$1.87
Previous Estimates	\$0.43	\$0.44	\$0.46	\$1.76	\$1.87	\$1.87	\$1.87	\$1.87
Change (%)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Distribution Coverage	2012E	2013E	2014E	2015E	2016E			
Current Estimates	1.29x	1.27x	0.98x	0.94x	0.91x			
Previous Estimates	1.34x	1.29x	1.04x	1.01x	0.98x			
Change (%)	(3.5%)	(1.4%)	(6.2%)	(6.7%)	(7.3%)			
Earnings / Unit (\$)	Q2-2012 E	Q3-2012 E	Q4-2012 E	2012E	2013E	2014E	2015E	2016E
Current Estimates	(\$0.03)	(\$0.01)	\$0.06	\$0.04	(\$0.04)	(\$0.60)	(\$0.68)	(\$0.75)
Previous Estimates	\$0.01	\$0.04	\$0.07	\$0.13	(\$0.00)	(\$0.48)	(\$0.54)	(\$0.60)
Change (%)	NM	NM	(9.9%)	(66.0%)	1,172.0%	26.5%	24.9%	24.2%

Source: Citi Investment Research and Analysis

Distributable Cash Flow (\$ Millions)	2012E	2013E	2014E	2015E	2016E
Adjusted EBITDA	\$29.1	\$29.1	\$24.3	\$24.0	\$23.9
Interest Expense	(3.4)	(3.8)	(3.9)	(4.1)	(4.3)
Tax	0.0	0.0	0.0	0.0	0.0
Maintenance Capital Expenditures	(3.2)	(3.4)	(3.5)	(3.7)	(3.9)
Other Cash Adjustments	(1.5)	0.0	0.0	0.0	0.0
Distributable Cash Flow	\$20.9	\$22.0	\$16.9	\$16.2	\$15.6
Total Cash Distributions	16.3	17.2	17.2	17.2	17.2
Total Distribution Per Unit	\$1.76	\$1.87	\$1.87	\$1.87	\$1.87
Growth in Distribution Per Unit		6.0%	0.0%	0.0%	0.0%
Distribution Cash Flow Coverage:	1.29 x	1.27 x	0.98 x	0.94 x	0.91 x

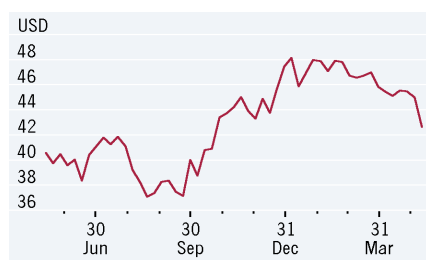
Source: Citi Investment Research and Analysis

Company Focus

- Company Update
- Estimate Change

Buy	1
Price (11 May 12)	US\$42.64
Target price	US\$51.00
Expected share price return	19.6%
Expected dividend yield	6.4%
Expected total return	26.0%
Market Cap	US\$2,207M

Price Performance (RIC: DPM.N, BB: DPM US)



DCP Midstream Partners LP (DPM) Drop-down Visibility Keeps Us At Buy Despite Near-term NGL Exposure

- **NGL Exposure** — We est that ~ 26% of our previous \$270 mil est for DPM's '12 Adj EBITDA had direct exposure to unhedged NGL prices. Consequently, the ~16% drop in our '12 E NGL composite price results in a reduction of 4.2% in DPM's EBITDA.
- **Hedge Book** – DPM hedges its NGL exposure mainly through crude hedges. We estimate that DPM has hedged ~ 46% of its NGL exposure
- **Maintain Buy and TP of \$51.00** — We maintain our Buy rating and TP OF \$51.00. Our positive view is based on drop-down visibility of assets from DPM's parent and GP DCP Midstream LLC, which currently has \$4B-\$6B of growth projects in development through 2014. Given the limited liquidity at the GP that is jointly owned by Conoco Phillips (COP) and Spectra (SE), DPM is expected to fund ~2/3 of the capital for these projects making the partnership a primary beneficiary of these growth projects. Our TP of \$51 is based on DPM achieving a distribution of \$2.80/unit 12 mos from now and units trading with a yield of 5.50%.

Figure 20. DPM, Changes to Estimates

Adjusted EBITDA (\$ in millions)	Q2-2012	EQ3-2012	EQ4-2012 E	2012E	2013E	2014E	2015E	2016E
Current Estimates	\$52.72	\$52.72	\$69.48	\$258.4	\$307.5	\$476.2	\$571.3	\$572.5
Previous Estimates	\$56.19	\$56.36	\$73.73	\$269.8	\$320.8	\$480.5	\$573.1	\$574.3
Change (%)	(6.2%)	(6.5%)	(5.8%)	(4.2%)	(4.1%)	(0.9%)	(0.3%)	(0.3%)
Distributable Cash Flow (\$ in millions)	Q2-2012	EQ3-2012	EQ4-2012 E	2012E	2013E	2014E	2015E	2016E
Current Estimates	\$33.9	\$33.9	\$49.6	\$172.4	\$219.8	\$357.3	\$444.4	\$450.9
Previous Estimates	\$37.5	\$37.6	\$53.9	\$184.0	\$234.1	\$363.2	\$448.0	\$454.7
Change (%)	(9.5%)	(9.9%)	(8.1%)	(6.3%)	(6.1%)	(1.6%)	(0.8%)	(0.8%)
Distributions / Unit	Q2-2012	EQ3-2012	EQ4-2012 E	2012E	2013E	2014E	2015E	2016E
Current Estimates	\$0.66	\$0.67	\$0.68	\$2.66	\$2.82	\$2.99	\$3.17	\$3.36
Previous Estimates	\$0.66	\$0.67	\$0.68	\$2.66	\$2.82	\$2.99	\$3.17	\$3.36
Change (%)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Distribution Coverage	Q2-2012	EQ3-2012	EQ4-2012 E	2012E	2013E	2014E	2015E	2016E
Current Estimates				0.99x	0.90x	1.15x	1.32x	1.22x
Previous Estimates				1.05x	0.96x	1.17x	1.33x	1.23x
Change (%)				(6.3%)	(6.1%)	(1.6%)	(0.8%)	(0.9%)
Earnings / Unit	Q2-2012	EQ3-2012	EQ4-2012 E	2012E	2013E	2014E	2015E	2016E
Current Estimates	\$0.10	\$0.08	\$0.39	\$0.85	\$0.53	\$1.48	\$2.17	\$2.01
Previous Estimates	\$0.17	\$0.15	\$0.47	\$1.07	\$0.75	\$1.56	\$2.21	\$2.06
Change (%)	(42.5%)	(47.0%)	(17.8%)	(20.9%)	(28.7%)	(4.9%)	(2.1%)	(2.4%)

Source: Citi Investment Research and Analysis

Distributable Cash Flow (\$ Millions)	2012E	2013E	2014E	2015E	2016E
Adjusted EBITDA	\$258.4	\$307.5	\$476.2	\$571.3	\$572.5
Interest Expense	(55.9)	(76.5)	(100.7)	(108.7)	(103.5)
Tax	(0.7)	(0.7)	(0.7)	(0.7)	(0.7)
Maintenance Capital Expenditures	(17.5)	(17.5)	(17.5)	(17.5)	(17.5)
Other Cash Adjustments	(12.0)	7.0	0.0	0.0	0.0
Distributable Cash Flow	\$172.4	\$219.8	\$357.3	\$444.4	\$450.9
Total Cash Distributions	174.7	243.6	310.0	337.3	369.8
Total Distribution Per Unit	\$2.66	\$2.82	\$2.99	\$3.17	\$3.36
Growth in Distribution Per Unit		6.0%	6.0%	6.0%	6.0%
Distribution Cash Flow Coverage:	0.99 x	0.90 x	1.15 x	1.32 x	1.22 x

Source: Citi Investment Research and Analysis

Company Focus

- Company Update
- Estimate Change

Buy	1
Price (11 May 12)	US\$50.66
Target price	US\$59.00
Expected share price return	16.5%
Expected dividend yield	5.1%
Expected total return	21.6%
Market Cap	US\$45,001M

Price Performance (RIC: EPD.N, BB: EPD US)



Enterprise Products Partners LP (EPD) Limited Downside From NGL Exposure, Buy

■ **NGL Exposure** — We estimate that ~ 12% of our previous \$4,041 mil est for EPD's '12 Adj EBITDA had direct exposure to unhedged NGL prices. This exposure comes primarily from the partnership's gathering and processing contracts. Despite the ~16% drop in our '12 E NGL composite price, we estimate the potential impact as minimal for EPD.

■ **Hedge Book** – EPD hedge book for 2012 consists of about 51% of its Q2 ethane exposure and ~ 72% of propane and heavies exposure for the rest of 2012.

■ **Maintain Buy and TP of \$59.00** — We maintain our Buy rating and TP. Our TP of \$59 is based on EPD achieving a distribution of \$2.67/unit 12 mos from now and units trading with a yield of 4.50%.

Figure 21. EPD, Changes to Estimates

Adjusted EBITDA (\$ in millions)	2012-Q2	2012-Q3	2012-Q4	2012E	2013E	2014E	2015E	2016E
Current Estimates	\$934.5	\$973.5	\$1,034.6	\$3,966.2	\$4,475.8	\$4,679.4	\$4,797.1	\$4,844.7
Previous Estimates	\$959.5	\$1,003.5	\$1,054.6	\$4,041.2	\$4,572.9	\$4,695.3	\$4,812.9	\$4,860.5
Change (%)	(2.6%)	(3.0%)	(1.9%)	(1.9%)	(2.1%)	(0.3%)	(0.3%)	(0.3%)
Distributable Cash Flow (\$ in millions)	2012-Q2	2012-Q3	2012-Q4	2012E	2013E	2014E	2015E	2016E
Current Estimates	\$654.0	\$692.5	\$761.3	\$2,838.7	\$3,311.1	\$3,484.4	\$3,579.5	\$3,625.1
Previous Estimates	\$678.6	\$722.1	\$781.8	\$2,913.5	\$3,409.2	\$3,503.0	\$3,598.3	\$3,644.2
Change (%)	(3.6%)	(4.1%)	(2.6%)	(2.6%)	(2.9%)	(0.5%)	(0.5%)	(0.5%)
Distributions / Unit	2012-Q2	2012-Q3	2012-Q4	2012E	2013E	2014E	2015E	2016E
Current Estimates	\$0.63	\$0.64	\$0.64	\$2.53	\$2.70	\$2.92	\$3.06	\$3.20
Previous Estimates	\$0.63	\$0.64	\$0.64	\$2.53	\$2.70	\$2.92	\$3.06	\$3.20
Change (%)	0.0%	0.0%	0.0%	0.0%	(0.0%)	(0.0%)	0.0%	0.0%
Distribution Coverage	2012E	2013E	2014E	2015E	2016E			
Current Estimates	1.31x	1.38x	1.32x	1.28x	1.21x			
Previous Estimates	1.35x	1.41x	1.33x	1.28x	1.22x			
Change (%)	(2.6%)	(2.5%)	(0.5%)	(0.5%)	(0.5%)			
Earnings / Unit	2012-Q2	2012-Q3	2012-Q4	2012E	2013E	2014E	2015E	2016E
Current Estimates	\$0.51	\$0.55	\$0.60	\$2.40	\$2.47	\$2.55	\$2.61	\$2.63
Previous Estimates	\$0.54	\$0.57	\$0.60	\$2.48	\$2.57	\$2.57	\$2.63	\$2.65
Change (%)	(5.2%)	(2.4%)	(0.3%)	(3.4%)	(3.8%)	(0.8%)	(0.8%)	(0.8%)

Source: Citi Investment Research and Analysis

Distributable Cash Flow (\$ Millions)	2012E	2013E	2014E	2015E	2016E
Adjusted EBITDA	\$3,966.2	\$4,475.8	\$4,679.4	\$4,797.1	\$4,844.7
Interest Expense	(763.8)	(848.8)	(868.1)	(879.7)	(870.9)
Tax	15.6	(28.9)	(30.2)	(31.0)	(31.4)
Maintenance Capital Expenditures	(317.1)	(326.7)	(336.5)	(346.6)	(357.0)
Other Cash Adjustments	(62.1)	39.7	39.7	39.7	39.7
Distributable Cash Flow	\$2,838.7	\$3,311.1	\$3,484.4	\$3,579.5	\$3,625.1
Total Cash Distributions	2,161.2	2,404.0	2,640.6	2,800.5	2,988.4
Total Distribution Per Unit	\$2.53	\$2.70	\$2.92	\$3.06	\$3.20
Growth in Distribution Per Unit		7.0%	7.9%	5.0%	4.5%
Distribution Cash Flow Coverage:	1.31 x	1.38 x	1.32 x	1.28 x	1.21 x

Source: Citi Investment Research and Analysis

Company Focus

- Company Update
- Estimate Change

Buy	1
Price (11 May 12)	US\$29.57
Target price	US\$35.00
Expected share price return	18.4%
Expected dividend yield	7.5%
Expected total return	25.9%
Market Cap	US\$8,429M

Price Performance (RIC: EEP.N, BB: EEP US)



Enbridge Energy Partners LP (EEP) Minimal NGL Exposure, Buy

- **NGL Exposure** — We est that ~ 12 % of our previously est adj EBITDA of \$1,152 mil has exposure to unhedged NGLs. This exposure comes mainly from processing contracts in nat gas segment. Consequently, a 16% reduction in price of a composite NGL bbl will result in only ~2% reduction in EEP's 2012 adj EBITDA.
- **Hedge Book** — EEP hedges NGL exposure mainly through direct product hedges. We est that EEP has hedged about 62% of its total exposure to NGLs in 2012.
- **Maintain Buy Rating and \$35 TP** — We maintain Buy rating and TP of \$35.00. Our positive stance is based on EEP's attractive valuation and minimal NGL price risk. We believe that the volumes on the EEP's crude oil pipelines should keep on increasing and we expect nat gas processing operations to benefit from drilling activity in the liquid-rich Granite Wash play. While we do not normally recommend MLPs with sub 1.0x coverage and high leverage, we remain comfortable with our rating on EEP as the partnership's GP has provided strong support during difficult capital markets and do not believe the partnership will be forced to reduce its distribution despite leverage that could eclipse 5.0x in 2012. Investors should expect, however, that EEP will eventually look to the equity markets to help de-lever its balance sheet over the next 12 months as it makes further investments.

Figure 22. EEP, Changes to Estimates

Adjusted EBITDA (\$ in millions)*	Q2 - 2012E	Q3 - 2012E	Q4 - 2012E	2012E	2013E	2014E	2015E	2016E
Current Estimates	\$282	\$289	\$281	\$1,130	\$1,371	\$1,498	\$1,609	\$1,687
Previous Estimates	\$288	\$297	\$288	\$1,152	\$1,397	\$1,511	\$1,614	\$1,692
Change (%)	(2.2%)	(2.6%)	(2.5%)	(1.8%)	(1.8%)	(0.8%)	(0.3%)	(0.3%)
Distributable Cash Flow (\$ in millions)	Q2 - 2012E	Q3 - 2012E	Q4 - 2012E	2012E	2013E	2014E	2015E	2016E
Current Estimates	\$162	\$169	\$156	\$651	\$831	\$950	\$1,055	\$1,132
Previous Estimates	\$168	\$177	\$164	\$672	\$858	\$967	\$1,067	\$1,145
Change (%)	(3.8%)	(4.4%)	(4.8%)	(3.3%)	(3.2%)	(1.8%)	(1.1%)	(1.1%)
Distributions / Unit	Q2 - 2012E	Q3 - 2012E	Q4 - 2012E	2012E	2013E	2014E	2015E	2016E
Current Estimates	\$0.53	\$0.54	\$0.54	\$2.15	\$2.23	\$2.31	\$2.40	\$2.49
Previous Estimates	\$0.53	\$0.54	\$0.54	\$2.15	\$2.23	\$2.31	\$2.40	\$2.49
Change (%)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Distribution Coverage Ratio				2012E	2013E	2014E	2015E	2016E
Current Estimates				0.86x	1.00x	1.07x	1.11x	1.11x
Previous Estimates				0.89x	1.03x	1.09x	1.12x	1.12x
Change (%)				(3.3%)	(3.2%)	(1.8%)	(1.1%)	(1.1%)
Earnings / Unit	Q2 - 2012E	Q3 - 2012E	Q4 - 2012E	2012E	2013E	2014E	2015E	2016E
Current Estimates	\$0.29	\$0.30	\$0.27	\$1.13	\$1.50	\$1.78	\$2.01	\$2.12
Previous Estimates	\$0.31	\$0.32	\$0.30	\$1.21	\$1.59	\$1.83	\$2.04	\$2.16
Change (%)	(7.1%)	(8.0%)	(8.7%)	(6.2%)	(5.7%)	(2.8%)	(1.5%)	(1.5%)
* excluding non-controlling interest								

*excluding non-controlling interest

Source: Citi Investment Research and Analysis

Distributable Cash Flow (\$ Millions)	2012E	2013E	2014E	2015E	2016E
Adjusted EBITDA	\$1,130.3	\$1,370.9	\$1,498.5	\$1,609.2	\$1,687.1
Interest Expense	(334.2)	(380.3)	(376.8)	(371.5)	(365.5)
Tax	(5.5)	(5.5)	(5.5)	(5.5)	(5.5)
Maintenance Capital Expenditures	(115.0)	(129.5)	(141.5)	(152.0)	(159.3)
Other Cash Adjustments	(25.0)	(25.0)	(25.0)	(25.0)	(25.0)
Distributable Cash Flow	\$650.6	\$830.6	\$949.7	\$1,055.2	\$1,131.8
Total Cash Distributions	752.1	831.8	890.3	952.9	1,018.3
Total Distribution Per Unit	\$2.15	\$2.23	\$2.31	\$2.40	\$2.49
Growth in Distribution Per Unit		3.7%	3.7%	3.7%	3.7%
Distribution Cash Flow Coverage:	0.86 x	1.00 x	1.07 x	1.11 x	1.11 x

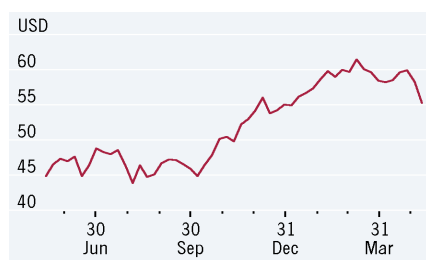
Source: Citi Investment Research and Analysis

Company Focus

- Company Update
- Estimate Change

Buy	1
Price (11 May 12)	US\$55.30
Target price	US\$67.00
Expected share price return	21.2%
Expected dividend yield	6.1%
Expected total return	27.2%
Market Cap	US\$7,225M

Price Performance (RIC: MWE.N, BB: MWE US)



MarkWest Energy Partners LP (MWE) Ample Distribution Cvg Provides Protection Against Near-term NGL weakness, Advantaged Asset Portfolio, Buy and Top Pick

- **NGL Exposure** — We est that ~ 71 % of our previously estimated adj EBITDA of \$666 mil has exposure to unhedged NGLs. Consequently, a 16% reduction in price of a composite NGL bbl will result in about 12% reduction in partnership's 2012 adj EBITDA. However MWE's distribution coverage ratio still remains strong at 1.15x.
- **Hedge Book** — MWE hedges NGL exposure mainly through WTI crude swaps and collars. This strategy works well if NGL and crude prices trade according to their historical correlation, however it provides only limited protection if this correlation breaks down. Since the start of the year WTI is down 2% while a composite NGL bbl is down 28%. This divergence exposes MWE to higher commodity price risk. We est that ~31% of MWE's total 2012 commodity price exposure is hedged.
- **Maintain Buy Rating and \$67 TP** — We maintain Buy and Top Pick rating for MWE. Our positive view is derived from MWE's excess distribution coverage which we believe gives it flexibility to maintain top quartile distribution growth even in a tough NGL price environment. Meanwhile, MWE's advantaged asset position and recent acquisitions in Marcellus provides it a solid opportunity set to employ capital at attractive returns. Our TP is based on MWE achieving an annualized distribution of \$3.54/unit 12-mos from now and units trading with a 5.25% yield.

Figure 23. MWE, Changes to Estimates

Adjusted EBITDA (\$ Millions)	Q2 - 2012E	Q3 - 2012E	Q4 - 2012E	2012E	2013E	2014E	2015E	2016E
Current	\$119.6	\$139.6	\$171.3	\$584.6	\$837.7	\$1,070.8	\$1,205.6	\$1,291.9
Previous	\$144.6	\$163.8	\$200.2	\$662.7	\$945.9	\$1,102.3	\$1,215.5	\$1,302.1
Change %	(17.3%)	(14.8%)	(14.4%)	(11.8%)	(11.4%)	(2.9%)	(0.8%)	(0.8%)
Distributable Cash Flow (\$)	Q2 - 2012E	Q3 - 2012E	Q4 - 2012E	2012E	2013E	2014E	2015E	2016E
Current	\$76.5	\$91.2	\$121.4	\$398.3	\$583.4	\$756.6	\$864.4	\$932.3
Previous	\$98.0	\$112.2	\$146.7	\$466.0	\$680.3	\$793.3	\$885.9	\$955.4
Change %	(21.9%)	(18.7%)	(17.2%)	(14.5%)	(14.3%)	(4.6%)	(2.4%)	(2.4%)
Distributions per Unit (\$)	Q2 - 2012E	Q3 - 2012E	Q4 - 2012E	2012E	2013E	2014E	2015E	2016E
Current	\$0.79	\$0.82	\$0.85	\$3.22	\$3.75	\$4.13	\$4.54	\$4.99
Previous	\$0.79	\$0.82	\$0.85	\$3.22	\$3.75	\$4.13	\$4.54	\$4.99
Change %	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Distribution Coverage Ratio				2012E	2013E	2014E	2015E	2016E
Current				1.15x	1.37x	1.57x	1.57x	1.49x
Previous				1.34x	1.60x	1.64x	1.61x	1.53x
Change %				(14.5%)	(14.3%)	(4.6%)	(2.4%)	(2.4%)
Earnings per Unit (\$)	Q2 - 2012E	Q3 - 2012E	Q4 - 2012E	2012E	2013E	2014E	2015E	2016E
Current	\$0.20	\$0.29	\$0.27	\$0.93	\$2.15	\$3.33	\$4.05	\$4.53
Previous	\$0.36	\$0.45	\$0.46	\$1.46	\$2.88	\$3.59	\$4.19	\$4.7
Change %	(45.1%)	(35.7%)	(42.0%)	(36.4%)	(25.6%)	(7.1%)	(3.1%)	(3.0%)

Source: Citi Investment Research and Analysis

Distributable Cash Flow (\$ Millions)	2012E	2013E	2014E	2015E	2016E
Adjusted EBITDA	\$584.6	\$837.7	\$1,070.8	\$1,205.6	\$1,291.9
Interest Expense	(137.5)	(175.3)	(202.0)	(208.9)	(214.3)
Tax	(19.5)	(46.0)	(71.2)	(86.6)	(96.7)
Maintenance Capital Expenditures	(20.0)	(28.7)	(36.6)	(41.2)	(44.2)
Other Cash Adjustments	(9.3)	(4.4)	(4.4)	(4.4)	(4.4)
Distributable Cash Flow	\$398.3	\$583.4	\$756.6	\$864.4	\$932.3
Total Cash Distributions	347.0	424.5	482.7	549.1	623.9
Total Distribution Per Unit	\$3.22	\$3.75	\$4.13	\$4.54	\$4.99
Growth in Distribution Per Unit		16.5%	10.0%	10.0%	10.0%
Distribution Cash Flow Coverage:	1.15 x	1.37 x	1.57 x	1.57 x	1.49 x

Source: Citi Investment Research and Analysis

Company Focus

- Company Update
- Estimate Change

Buy	1
Price (11 May 12)	US\$56.69
Target price	US\$66.00
Expected share price return	16.4%
Expected dividend yield	4.9%
Expected total return	21.4%
Market Cap	US\$12,461M

Price Performance (RIC: OKS.N, BB: OKS US)



ONEOK Partners LP (OKS) NGL Exposure Manageable, Despite Lowered Estimates

- **NGL Margin Exposure** — Approximately 34% of our previous \$1,337 million estimate for OKS' '12 Adj. EBITDA had direct exposure to NGL prices, excluding hedges as outlined below. Despite the ~16% decrease in our '12E NGL composite price, we estimate the potential impact on OKS as minimal, with the largest exposure coming from NGL optimization margins. We now estimate the differential in Conway-to-Mt. Belvieu EP mix to average \$0.20/gal for '12 vs. \$0.22 previously and Mgt's estimate of \$0.32/gal.
- **Hedge Book** — OKS' G&P segment is well hedged for '12 with 9,094 Bbl/d, or 71% of NGLs and 1,753 Bbl/d, or 73% of condensate, hedged for '12.
- **Maintain Buy Rating and \$66 TP** — We are maintaining our Buy (1) rating and TP of \$66.00. Our TP is based on OKS achieving a distribution of \$2.96/unit twelve months from now and the units trading at a yield of 4.5%.

Figure 24. OKS, Changes to Estimates

Adjusted EBITDA (\$ in millions)	Q2 - 2012E	Q3 - 2012E	Q4 - 2012E	2012E	2013E	2014E	2015E	2016E
Current Estimates	\$315.8	\$317.7	\$330.8	\$1,308.1	\$1,421.6	\$1,717.7	\$1,783.9	\$1,791.6
Previous Estimates	\$337.1	\$321.6	\$334.5	\$1,337.0	\$1,456.0	\$1,735.1	\$1,793.1	\$1,800.9
Change (%)	(6.3%)	(1.2%)	(1.1%)	(2.2%)	(2.4%)	(1.0%)	(0.5%)	(0.5%)
Distributions / Unit (\$)				2012E	2013E	2014E	2015E	2016E
Current Estimates	\$0.64	\$0.66	\$0.69	\$2.59	\$3.02	\$3.47	\$3.58	\$3.65
Previous Estimates	\$0.64	\$0.66	\$0.69	\$2.59	\$3.02	\$3.47	\$3.58	\$3.65
Change (%)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Earnings / Unit (\$)				2012E	2013E	2014E	2015E	2016E
Current Estimates	\$0.66	\$0.67	\$0.74	\$2.93	\$2.42	\$3.08	\$3.25	\$3.23
Previous Estimates	\$0.75	\$0.68	\$0.76	\$3.06	\$2.58	\$3.17	\$3.31	\$3.29
Change (%)	(12.7%)	(2.7%)	(2.3%)	(4.3%)	(6.2%)	(2.9%)	(1.7%)	(1.8%)
Distributable Cash Flow (\$ in mil.)				2012E	2013E	2014E	2015E	2016E
Current Estimates	\$236.3	\$238.1	\$238.9	\$989.9	\$1,012.2	\$1,281.8	\$1,348.0	\$1,360.7
Previous Estimates	\$257.7	\$242.2	\$242.8	\$1,019.3	\$1,048.4	\$1,302.1	\$1,360.9	\$1,374.2
Change (%)	(8.3%)	(1.7%)	(1.6%)	(2.9%)	(3.5%)	(1.6%)	(0.9%)	(1.0%)
Distribution Cash Flow Coverage				2012E	2013E	2014E	2015E	2016E
Current Estimates	1.28x	1.05x	1.10x	1.12x	1.12x	1.10x	1.10x	1.10x
Previous Estimates	1.32x	1.09x	1.12x	1.13x	1.13x	1.11x	1.11x	1.11x
Change (%)	(2.9%)	(3.5%)	(1.6%)	(0.9%)	(0.9%)	(1.0%)	(1.0%)	(1.0%)

Source: Citi Investment Research and Analysis

Distributable Cash Flow (\$ Mil)	2012E	2013E	2014E	2015E	2016E
Adjusted EBITDA	\$1,308.1	\$1,421.6	\$1,717.7	\$1,783.9	\$1,791.6
Interest Expense	(204.2)	(286.9)	(313.5)	(313.3)	(308.4)
Tax	(13.0)	(13.0)	(13.0)	(13.0)	(13.0)
Maintenance Capital Expenditures	(109.0)	(109.0)	(109.0)	(109.0)	(109.0)
Other Cash Adjustments	8.0	(0.5)	(0.5)	(0.5)	(0.5)
Distributable Cash Flow	\$989.9	\$1,012.2	\$1,281.8	\$1,348.0	\$1,360.7
Total Cash Distributions	773.8	962.8	1,162.0	1,207.8	1,239.2
Total Distribution Per Unit	\$2.59	\$3.02	\$3.47	\$3.58	\$3.65
Growth in Distribution Per Unit	9.5%	16.6%	15.0%	3.0%	2.0%
Distribution Cash Flow Coverage:	1.28 x	1.05 x	1.10 x	1.12 x	1.10 x

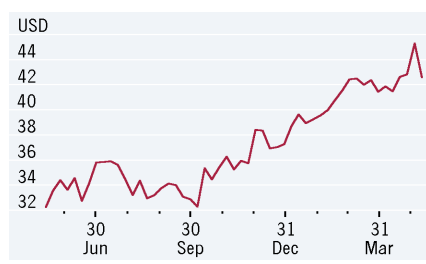
Source: Citi Investment Research and Analysis

Company Focus

- Company Update
- Estimate Change

Buy	1
Price (11 May 12)	US\$42.59
Target price	US\$49.50
Expected share price return	16.2%
Expected dividend yield	6.3%
Expected total return	22.6%
Market Cap	US\$3,875M

Price Performance (RIC: NGLS.N, BB: NGLS US)



Targa Resources Partners LP (NGLS) Ample Coverage & Attractive Growth Opportunities, Buy

- **NGL Exposure** — We est that ~ 50 % of our previously est adj EBITDA of \$545 mil has exposure to unhedged NGLs. Consequently, a 16% reduction in price of a composite NGL bbl will result in about 8.5% reduction in NGLS's 2012 adj EBITDA.
- **Hedge Book** — NGLS hedges NGL exposure mainly through direct product hedges. It hedges NGL price risk for only its field G&P segment (~35% of total gross margins) and has hedged ~ 80% of its NGL exposure in this segment. The partnership's Coastal segment (~25% of total gross margins) has hybrid contracts with a fee-floor, and are hence protected from a large downside to NGL prices.
- **Maintain Buy Rating and \$49.50 TP** — We maintain Buy rating and TP of \$49.50. Our positive view is derived from partnership's excess coverage ratio to cover near-term NGL price weakness and attractive growth opportunities for fee based logistics assets. Our TP is based on NGLS achieving an annualized distribution of \$2.83/unit 12-mos from now and units trading with a 5.75% yield.

Figure 25. NGLS, Changes to Estimates

Adjusted EBITDA (\$ Millions)	Q2 - 2012E	Q3 - 2012E	Q4 - 2012E	2012E	2013E	2014E	2015E	2016E
Current	\$109.6	\$120.8	\$123.2	\$499.0	\$626.2	\$647.2	\$696.8	\$716.4
Previous	\$122.9	\$138.1	\$138.7	\$545.2	\$680.8	\$669.7	\$706.1	\$726.0
Change %	(10.8%)	(12.5%)	(11.2%)	(8.5%)	(8.0%)	(3.4%)	(1.3%)	(1.3%)
Distributable Cash Flow (\$)	Q2 - 2012E	Q3 - 2012E	Q4 - 2012E	2012E	2013E	2014E	2015E	2016E
Current	\$62.7	\$73.9	\$71.8	\$313.9	\$414.3	\$424.3	\$473.9	\$495.5
Previous	\$76.3	\$91.6	\$88.0	\$361.2	\$473.1	\$453.8	\$491.7	\$514.7
Change %	(17.8%)	(19.3%)	(18.4%)	(13.1%)	(12.4%)	(6.5%)	(3.6%)	(3.7%)
Distributions per Unit (\$)	Q2 - 2012E	Q3 - 2012E	Q4 - 2012E	2012E	2013E	2014E	2015E	2016E
Current	\$0.62	\$0.64	\$0.66	\$2.53	\$2.88	\$3.05	\$3.24	\$3.43
Previous	\$0.62	\$0.64	\$0.66	\$2.53	\$2.88	\$3.05	\$3.24	\$3.4
Change %	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Distribution Coverage Ratio	2012E	2013E	2014E	2015E	2016E			
Current	1.10x	1.19x	1.12x	1.15x	1.11x			
Previous	1.26x	1.36x	1.20x	1.19x	1.15x			
Change %	(14.5%)	(14.3%)	(4.6%)	(2.4%)	(2.4%)			
Earnings per Unit (\$)	Q2 - 2012E	Q3 - 2012E	Q4 - 2012E	2012E	2013E	2014E	2015E	2016E
Current	\$0.19	\$0.29	\$0.25	\$1.37	\$2.08	\$1.96	\$2.31	\$2.34
Previous	\$0.34	\$0.49	\$0.43	\$1.89	\$2.73	\$2.29	\$2.51	\$2.6
Change %	(44.3%)	(40.0%)	(41.6%)	(27.5%)	(23.7%)	(14.2%)	(7.8%)	(8.3%)

Source: Citi Investment Research and Analysis

Distributable Cash Flow (\$ Millions)	2012E	2013E	2014E	2015E	2016E
Adjusted EBITDA	\$499.0	\$626.2	\$647.2	\$696.8	\$716.4
Interest Expense	(121.3)	(140.6)	(151.5)	(151.6)	(149.7)
Tax	(4.3)	(4.3)	(4.3)	(4.3)	(4.3)
Maintenance Capital Expenditures	(80.0)	(85.0)	(85.0)	(85.0)	(85.0)
Other Cash Adjustments	20.4	18.0	18.0	18.0	18.0
Distributable Cash Flow	\$313.9	\$414.3	\$424.3	\$473.9	\$495.5
Total Cash Distributions	285.6	348.0	378.8	411.5	446.1
Total Distribution Per Unit	\$2.53	\$2.88	\$3.05	\$3.24	\$3.43
Growth in Distribution Per Unit		13.8%	6.0%	6.0%	6.0%
Distribution Cash Flow Coverage:	1.10 x	1.19 x	1.12 x	1.15 x	1.11 x

Source: Citi Investment Research and Analysis

Company Focus

- Company Update
- Estimate Change

Buy	1
Price (11 May 12)	US\$55.75
Target price	US\$64.00
Expected share price return	14.8%
Expected dividend yield	5.9%
Expected total return	20.7%
Market Cap	US\$17,675M

Price Performance (RIC: WPZ.N, BB: WPZ US)



Williams Partners LP (WPZ) NGL Exposure Manageable, Despite Lowered Estimates

- **NGL Margin Exposure** — We estimate that ~ 34% of our previous \$2,649 million estimate for WPZ's '12 Adj. EBITDA had direct exposure to unhedged NGL prices. Despite the ~16% decrease in our '12E NGL composite price, we estimate the potential impact on WPZ as manageable.
- **Hedge Book** — As noted in their most recent 10-Q, WPZ has entered into NGL swap agreements to fix the prices of approximately 10% of their anticipated NGL sales volumes and an approximate corresponding portion of anticipated shrink gas requirements for the remainder of 2012 – with the combined impact of these energy commodity derivatives providing a margin on the hedged volumes of \$169 million.
- **Maintain Buy Rating and \$64 TP** — We are maintaining our Buy (1) rating and TP of \$64.00. Our TP is based on WPZ achieving a distribution of \$3.37/unit twelve months from now and the units trading at a yield of 5.25%. WPZ remains one of our Top MLPs.

Figure 26. Changes to Estimates

Adjusted EBITDA (\$ in millions)	Q2 - 2012E	Q3 - 2012E	Q4 - 2012E	2012E	2013E	2014E	2015E	2016E
Current Estimates	\$523.6	\$644.4	\$680.0	\$2,477.9	\$2,773.1	\$3,102.2	\$3,602.6	\$3,725.2
Previous Estimates	\$575.3	\$706.7	\$737.0	\$2,649.0	\$2,929.8	\$3,154.9	\$3,623.8	\$3,747.1
Change (%)	(9.0%)	(8.8%)	(7.7%)	(6.5%)	(5.3%)	(1.7%)	(0.6%)	(0.6%)
Distributions / Unit (\$)	Q2 - 2012E	Q3 - 2012E	Q4 - 2012E	2012E	2013E	2014E	2015E	2016E
Current Estimates	\$0.78	\$0.79	\$0.81	\$3.14	\$3.41	\$3.73	\$4.05	\$4.37
Previous Estimates	\$0.78	\$0.79	\$0.81	\$3.14	\$3.41	\$3.73	\$4.05	\$4.37
Change (%)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Earnings / Unit (\$)	Q2 - 2012E	Q3 - 2012E	Q4 - 2012E	2012E	2013E	2014E	2015E	2016E
Current Estimates	\$0.45	\$0.65	\$0.67	\$2.49	\$2.42	\$2.52	\$3.39	\$3.39
Previous Estimates	\$0.61	\$0.83	\$0.84	\$2.99	\$2.89	\$2.71	\$3.51	\$3.51
Change (%)	(25.8%)	(22.2%)	(20.1%)	(16.9%)	(16.1%)	(7.1%)	(3.3%)	(3.5%)
Distributable Cash Flow (\$ in mil.)	Q2 - 2012E	Q3 - 2012E	Q4 - 2012E	2012E	2013E	2014E	2015E	2016E
Current Estimates	\$272.5	\$393.3	\$428.9	\$1,585.6	\$1,903.6	\$2,202.8	\$2,694.9	\$2,828.3
Previous Estimates	\$325.4	\$456.8	\$487.1	\$1,760.3	\$2,072.5	\$2,274.0	\$2,737.7	\$2,874.1
Change (%)	(16.3%)	(13.9%)	(12.0%)	(9.9%)	(8.2%)	(3.1%)	(1.6%)	(1.6%)
Distribution Cash Flow Coverage				2012E	2013E	2014E	2015E	2016E
Current Estimates				1.12x	1.11x	1.08x	1.17x	1.11x
Previous Estimates				1.24x	1.21x	1.11x	1.19x	1.13x
Change (%)				(9.9%)	(8.2%)	(3.1%)	(1.6%)	(1.6%)

Source: Citi Investment Research and Analysis

Distributable Cash Flow (\$ Mil)	2012E	2013E	2014E	2015E	2016E
Adjusted EBITDA	\$2,477.9	\$2,773.1	\$3,102.2	\$3,602.6	\$3,725.2
Interest Expense	(440.3)	(504.5)	(534.4)	(542.7)	(531.9)
Tax	0.0	0.0	0.0	0.0	0.0
Maintenance Capital Expenditures	(480.0)	(385.0)	(385.0)	(385.0)	(385.0)
Other Cash Adjustments	28.0	20.0	20.0	20.0	20.0
Distributable Cash Flow	\$1,585.6	\$1,903.6	\$2,202.8	\$2,694.9	\$2,828.3
Total Cash Distributions	1,420.2	1,713.8	2,048.2	2,305.6	2,546.7
Total Distribution Per Unit	\$3.14	\$3.41	\$3.73	\$4.05	\$4.37
Growth in Distribution Per Unit	8.1%	8.6%	9.4%	8.6%	7.9%
Distribution Cash Flow Coverage:	1.12 x	1.11 x	1.08 x	1.17 x	1.11 x

Source: Citi Investment Research and Analysis

Atlas Pipeline Partners

Company description

Atlas Pipeline Partners, L.P. is a master limited partnership (MLP) that is active in the gathering and processing segments of the midstream natural gas industry. In the Mid-Continent region of Oklahoma, southern Kansas, and northern and western Texas, APL owns and operates five active gas processing plants as well as approximately 8,600 miles of active intrastate gas gathering pipeline.

Investment strategy

We rate Atlas Pipeline Partners, L.P. (APL) Buy (1) with a 12-month price target of \$42.00. APL continues to have a very attractive asset position in liquid rich resource basins that are showing strong drilling activity and volumes growth. It also continues to execute its organic growth strategy through processing plant expansions that should begin to drive results in the back half of 2012 and throughout the next couple of years. Lastly, the partnership should also start benefitting from additional NGL takeaway capacity at the tail end of its processing plants starting from 2013. We believe that this sets up the partnership well for accelerating distribution growth towards the end of 2012 and into the next year. We expect APL to continue to grow distributions at ~10% over the next five years.

Valuation

Our 12-month target price on APL is \$42.00 per unit. Consistent with the way we value other G&P MLPs, we value APL using the target yield method. Our 5.75% target yield reflects the partnership's rapid growth potential, strong balance sheet, and quality of assets. Our 12-month distribution outlook of \$2.40/unit is 9.1% above current levels. We use a discounted cash flow analysis as a secondary valuation metric. The equity value for APL derived by our two-stage DCF model is \$42.38, which is slightly above our implied yield valuation. Nonetheless, we think this result supports the reasonableness of the output derived by our implied yield valuation. The basic inputs used in our DCF model include our estimates that distributions will increase by ~9.5% annually over the next 3-4 years and by 0.0% annually beginning in the fourth year and extending into perpetuity. Finally, our cost of equity of 7.00% is based upon our estimate of investors' yield expectation under steady state conditions and also considers the partnership's operating and financial risks.

Risks

Our Buy rating and \$42.00 target price on Atlas Pipeline Partners is based on the consideration of key risk factors that include: 1) balance sheet strength, 2) distribution coverage, and 3) variability of cash flows. Atlas Pipeline's balance sheet strength as measured by Debt/EBITDA at the end of 2012 is expected to be ~3.9x (MLP average of ~3.7x) and the partnership should be able to cover 2012 distributions by ~1.14x, above the MLP average of ~1.10x. The distribution coverage ratio improves to 1.30x+ in 2013 as APL benefits from the growth spending in 2012. APL has above-average commodity price exposure creating variability in cash flows and significant execution risks remain. Risks to the MLP achieving our 12-month target price include: 1) a material decline in frac-spreads; 2) inability to obtain access to new natural gas volumes for its gathering, processing and pipeline business; and 3) inability to successfully re-negotiate debt covenants. A

material decrease in natural gas production, as a result of depressed commodity prices or otherwise, could also result in a decline in volumes processed and shipped by the partnership. If the impact of these factors proves to be greater than we anticipate, the MLP may not reach our target price. Conversely, the units could materially outperform our target price if either: crude oil and NGL prices rise significantly from current levels resulting in improved processing margins; or volumes on the partnership's gathering systems increase sharply.

American Midstream Partners LP

Company description

American Midstream Partners LP (AMID) is a master limited partnership (MLP) that owns and operates natural gas gathering and processing assets. Specifically, the partnership gathers, processes, transports and markets natural gas, and transports and markets NGLs. American Midstream Partners LP is managed by its general partner, American Midstream GP LLC, which is wholly owned by AIM Midstream Holdings LLC, formed by American Infrastructure MLP Fund. AMID operates ~1,400 miles of pipelines that gather and transport over 500 MMcf/d of natural gas.

Investment strategy

We rate American Midstream Partners LP Buy (1) with a 12-month target price of \$24.00 per unit. We believe the partnership should provide investors an attractive total return based on its current yield and the potential for moderate distribution growth over the next few years of ~6% as reflected in our forecast. Our view is supported by the partnership's assets that should benefit from liquid rich drilling activity along the Gulf Coast, numerous expansion opportunities, high distribution coverage, and a conservative balance sheet. Upside to our current estimates depends on the speed and cost at which AMID can execute on expansion projects, capture new packages of gas from producers, and transact acquisitions over the next 12-months. We estimate that approximately 90% of AMID's distributions will be tax deferred.

Valuation

Our current 12-month target price for AMID is \$24.00 per unit. Our target price is based on a projected yield of 7.50% and our forward 12-month distribution estimate of \$1.85/unit, which implies 4.6% growth from the current distribution. The equity value for AMID derived by our two-stage DCF model is \$24.45, which is slightly above our implied yield valuation. We think this result supports the reasonableness of the output derived by our implied yield valuation. The basic inputs used in our DCF model include our assumptions that distributions will increase by 1.6% annually through 2015 and by 1.0% annually extending into perpetuity beyond 2015. Finally, our cost of equity of 8.50% is based upon our estimate of investors' yield expectation under steady state conditions and also considers the partnership's operating and financial risks.

Risks

Our Buy rating on American Midstream Partners LP is based on the consideration of key risk factors that include: 1) balance sheet strength, 2) distribution coverage, and 3) variability of cash flows. American Midstream has a balance sheet with 2012E Net Debt/EBITDA of ~2.5x versus the MLP average of ~3.5x. AMID generates commodity sensitive cash flows as a result of its gathering and processing assets.

We believe this factor is offset by AMID's hedging strategy which mitigates commodity price volatility through 2012. In addition, we expect AMID to achieve 1.34x distribution coverage in 2012, which is higher than the MLP average of 1.26x. Risks to the MLP achieving our 12-month target price include the following: 1) a material decrease in natural gas production or crude oil refining as a result of depressed commodity prices; 2) the inability of the partnership to obtain access to new natural gas volumes for its processing and pipeline business; and 3) a decrease in the difference between NGL product prices and natural gas prices that results in lower processing margins. If the impact of these factors proves to be greater than we anticipate, the MLP may not reach our target price. Conversely, the units could materially outperform our target price if NGL processing margins improve or volumes on the partnership's gathering and transportation systems increase in the face of strong commodity markets.

DCP Midstream Partners LP

Company description

DCP Midstream is a master limited partnership (MLP) that owns and operates natural gas gathering and processing assets. Specifically, the partnership gathers, processes, transports and markets natural gas; transports and markets NGLs, and is a leading wholesale distributor of propane. DCP Midstream Partners, LP is managed by its general partner, DCP Midstream GP LLC, which is wholly owned by DCP Midstream, LLC, a joint venture between Spectra Energy (NYSE: SE) and ConocoPhillips (NYSE: COP).

Investment strategy

We rate DCP Midstream Buy (1). We believe the partnership has strong base cash flows with high growth potential based on our positive view on NGL supply growth and attractive margins. DPM's general partner, DCP Midstream LLC, currently has \$4B-\$6B of growth projects in development through 2014. Given the limited liquidity at the GP that is jointly owned by Conoco Phillips (COP) and Spectra (SE), DPM is expected to fund ~2/3 of the capital for these projects making the partnership a primary beneficiary. Typically organic growth projects have better returns than asset drop-downs, which could also improve the pace of distribution growth above management's stated guidance of 6%. These projects could support the evolution of DPM that substantially increases the partnership's size, portfolio of fee-based assets, and NGL infrastructure assets. In addition, DPM's robust liquidity position, investment grade balance sheet and access to low cost of capital should allow it to generate above-average returns on growth projects or acquisitions. Specifically, we estimate nearly 75% of DPM's cash flow will be from G&P assets. Additional upside to our estimates may come from more acquisitions and projects while crude and natural gas hedges should limit downside risk. We estimate that approximately 70% of DPM's distributions will be tax deferred.

Valuation

Our 12-month target price for DPM is \$51.00 per unit. Our target price is based on a projected yield of 5.50% and our forward 12-month annualized distribution estimate of \$2.80/unit, which implies 6.1% growth from the current distribution. The equity value for DPM derived by our two-stage DCF model is \$50.74, which is slightly below our implied yield valuation. We think this result supports the reasonableness of the output derived by our implied yield valuation. The basic inputs used in our DCF model include our assumptions that distributions will increase by 5.3%

annually through 2016 and by 1.0% annually extending into perpetuity beyond 2016. Finally, our cost of equity of 7.25% is based upon our estimate of investors' yield expectation under steady state conditions and also considers the partnership's operating and financial risks.

Risks

Our rating on DCP Midstream Partners is based on the consideration of key risk factors that include: 1) balance sheet strength, 2) distribution coverage, and 3) variability of cash flows. DCP Midstream has a balance sheet with 2012E Net Debt/EBITDA of ~4.7x versus the MLP average of ~3.2x. DPM generates commodity sensitive cash flows as a result of its gathering and processing assets. DPM will need to continually access the equity markets to execute its acquisition growth strategy that might lead to unit price volatility. We believe these factors are offset by DPM's extensive hedge book and strong GP support. In addition, we expect DPM to achieve ~1.05x distribution coverage in 2012, which is lower than the MLP average of 1.29x. Risks to the MLP achieving our 12-month target price include the following: 1) a material decrease in natural gas production or crude oil refining as a result of depressed commodity prices; 2) the inability of the partnership to obtain access to new natural gas volumes for its processing and pipeline business; and 3) a decrease in the difference between NGL product prices and natural gas prices that results in lower processing margins. If the impact of these factors proves to be greater than we anticipate, the MLP may not reach our target price. Conversely, the units could materially outperform our target price if NGL processing margins improve or volumes on the partnership's gathering and transportation systems increase in the face of strong commodity markets.

Enterprise Products Partners LP

Company description

Enterprise Products Partners L.P. is structured as a master limited partnership (MLP) and is a leading North American provider of midstream energy services to producers and consumers of natural gas, natural gas liquids (NGLs), crude oil, and petrochemicals. Enterprise Products owns/operates more than 48,000 miles of pipelines, 200MMbbl of product storage capacity, ~10 Bcf of natural gas storage capacity, 600,000bbl/d of fractionation, and the ability to process ~9Bcf of natural gas per day. Services include gathering, processing, transportation, and storage of natural gas, NGLs, and/or crude oil. The partnership's assets are geographically diversified throughout the U.S. with a significant footprint in areas of growing production including the Rocky Mountain region and on-shore Texas.

Investment strategy

We rate Enterprise Products Buy (1). We recommend EPD to investors as a core MLP holding with ideally positioned assets, attractive growth, strong distribution coverage, no IDRs, and an investment grade balance sheet. We expect EPD to grow distributions by more than 6% over the next 3-4 years. The outlook for EPD's largest segment, NGL Pipelines & Services, continues to improve as E&P companies remain focused on liquid-rich shale gas production growth, while the ethane cost advantage is driving petrochemical feedstock demand growth. EPD has continued to show that it can leverage its asset base to drive unique investment opportunities such as upstream projects in the Haynesville and Eagle Ford shale plays and downstream projects in Monte Belvieu. With distribution coverage above 1.25x and visibility for continued cash flow growth, EPD remains one of our top

picks in the MLP sector. We estimate that approximately 90% of EPD's distribution will be tax deferred.

Valuation

Our 12-month target price for Enterprise Products Partners, L.P. is \$59.00 per unit. Our target price assumes that the partnership will be able to increase distributions to \$2.67/unit on an annualized basis 12 months from now and that the units should trade with a 4.50% yield. Our choice of the implied yield is a function of the MLP's growth outlook, risk profile, and the broader yield environment. On a longer term, we expect midstream MLPs to outperform alternative yield asset classes as a result of strong fundamentals as seen in recent results and growing distribution to unit holders.

We use a discounted cash flow analysis as a secondary valuation metric. The equity value for EPD derived by our two-stage DCF model is \$60.33, which is slightly higher than our implied yield valuation. Therefore, we think this result supports the reasonableness of the output derived by our implied yield valuation. The basic inputs used in our DCF model include our assumptions that distributions will increase by ~6.5% annually over the next 4-5 years and by 1.0% annually beginning in the fifth year and extending into perpetuity. Finally, our cost of equity of 6.00% is based upon our estimate of investors' yield expectation under steady state conditions that also reflects increasing risk premiums in the current market environment.

Risks

Our rating and price target are based on the consideration of key risk factors that include: 1) balance sheet strength, 2) distribution coverage, and 3) variability of cash flows. Enterprise Products has an investment grade credit rating and maintains a balance sheet with a Debt/EBITDA ratio of ~3.70x, which is in-line with the MLP average at ~3.7x. EPD's 2012 distribution coverage of ~1.35x is better than the MLP average of ~1.10x. Taking into consideration the partnership's extensive asset base that is geographically diversified we view EPD's cash flows as relatively stable. Other risk factors considered include volatility of monthly returns as well as daily trading volume. Risks to the MLP achieving our 12-month target price include the following: 1) a material decrease in natural gas production or crude oil refining as a result of sharp changes to commodity prices; 2) the inability of the partnership to obtain access to new natural gas volumes for its processing and pipeline business; and 3) a decrease in the difference between NGL product prices and natural gas prices that results in lower processing margins. If the impact on the partnership from any of these factors proves to be greater than we anticipate, the MLP may not reach our target price.

Enbridge Energy Partners LP

Company description

Enbridge Energy Partners, L.P. is structured as a master limited partnership (MLP) and operates a diversified portfolio of crude oil and natural gas transportation systems in the United States. Its principal crude oil system is the largest transporter of growing oil production from western Canada. The system delivers ~2.0 million barrels per day to refining centers in the U.S. Midwest and accounts for ~67% of total crude imports from Canada. The Southern Access Expansion added an additional 400,000 bpd of capacity, while a further 450,000 bpd of capacity is

provided by the Alberta Clipper project in which EEP has a 1/3 stake. The Partnership's natural gas gathering, treating, processing and transmission assets, which are principally located onshore in the active U.S. Mid-Continent and Gulf Coast area, have throughput of ~2.4 billion cubic feet of natural gas daily. Enbridge Inc. is the indirect parent of the MLP's general partner.

Investment strategy

We rate Enbridge Energy Partners Buy (1). We believe the partnership's risk/reward is attractive taking into consideration our view that volumes on the partnership's crude oil pipelines should keep on increasing and expect natural gas processing operations to benefit from drilling activity in the liquid-rich Granite Wash play. We believe the partnership's crude oil assets and natural gas processing assets will benefit from current trends, and are optimistic that this will allow EEP to achieve distribution growth that is closer to the upper end of guidance at 5%. While we do not normally recommend MLPs with sub 1.0x coverage and high leverage, we remain comfortable with our rating on EEP as the partnership's GP has provided strong support during difficult capital markets and do not believe the partnership will be forced to reduce its distribution despite leverage that could eclipse 5.0x in 2012. Investors should expect, however, that EEP will eventually look to the equity markets to help de-lever its balance sheet over the next 12 months as it makes further investments.

On-shore crude production growth in the Lower 48 and increasing crude oil imports from Canada are driving infrastructure bottlenecks and regional supply/demand imbalances as basis differentials, quality spreads, and storage differentials have all seen margin improvement. These price dislocations have provided a strong incentive for producers and consumers to sign long-term firm agreements on pipeline capacity that supports new infrastructure projects. EEP is spending \$350 million to expand its North Dakota system out of the Bakken shale play by 145,000 Bbl/d, which is expected to be on-line by early 2013. The partnership has also steadily increased its Cushing, OK storage capacity with another 4 million Bbl expansion underway along with multiple natural gas projects. In total we project that EEP will invest ~\$2.0billion in 2012 toward internally generated expansion projects. While the partnership does have exposure to commodity prices through its natural gas processing segment, management consistently hedges this exposure and our outlook remains constructive on forward NGL prices that we believe will be above EEP's current hedge book. Our current commodity price assumptions are for Brent crude at ~\$125/bbl in 2012, \$120/bbl in 2013 and ~\$95/bbl in 2014. Our natural gas forecast is \$2.44/MMBtu in 2012, \$3.85/MMBtu in 2013 and \$4.45/MMBtu in 2014. Additionally, management estimates that approximately 90% of EEP's distribution will be tax deferred.

Valuation

Our 12-month target price for Enbridge Energy Partners, L.P. is \$35.00 per unit. Our target price assumes that the Enbridge Energy will be able to increase its distribution to an annualized rate of \$2.18/unit 12 months from now and that the units should trade with a 6.25% yield. Longer term, we expect the midstream MLPs to outperform alternative yielding asset classes as a result of strong fundamentals as seen in recent results and growing distribution to unit holders. Under more normal market conditions where growth is being priced into equity values, we believe natural gas/NGL transportation & storage MLPs should trade with yields in the 6.0% to 8.0% range depending on the location of the assets, stability of cash flows, and growth potential. Given EEP's stable base cash flows, distribution

growth, and exposure to natural gas processing, we believe a 6.00% yield is justified.

We use a discounted cash flow analysis as a secondary valuation metric. The equity value for Enbridge Energy Partners, L.P. derived by our two-stage DCF model is \$34.85, which is in line with our implied yield valuation and supports the reasonableness of the output derived by our implied yield valuation. The basic inputs used in our DCF model include our assumptions that distributions will increase by ~3.3% annually over the next 4-5 years and by 1.0% annually beginning in the fifth year and extending into perpetuity. Finally, our cost of equity of 7.750% is based upon our estimate of investors' yield expectation under steady state conditions and also considers the partnership's operating and financial risks.

Risks

Our rating and target price on Enbridge Energy Partners, L.P. are based on the consideration of key risk factors that include: 1) balance sheet strength, 2) distribution coverage, and 3) variability of cash flows and 4) Liability from crude oil spillage in Michigan and Illinois from the Lakehead pipeline system. Enbridge Energy is expected to have a Net Debt/EBITDA of ~5.1x at the end of FY-2012 but will be reduced to below 4.0x by end of FY-2014 as we get the full year impact of the growth spending at the partnership. This is however higher than the ~3.9x average for our MLP coverage universe. EEP is also exposed to commodity prices in its Natural Gas segment, which operates under Keep-Whole, Percent-of-Proceeds, and Percent-of-Liquids contracts. We believe these risks are somewhat offset by the partnership's stable cash flow generation from long-haul tariff based pipeline assets. EEP is also expected to average a coverage ratio of ~0.90x in 2012, versus 1.10x average for MLPs in our coverage group. Other risk factors considered include volatility of monthly returns as well as daily trading volume. Factors that could cause the MLP to trade below our target price include the following: 1) A sharp drop in the Lakehead volume due to the shifting of volumes on the Keystone pipeline. 2) the partnership raising equity capital to fund organic growth projects, 3) a sharp decrease in crude oil and/or natural gas prices that causes producers to reduce production, which subsequently could cause volumes on EEP's transportation pipelines to decrease, and 4) a sharp rise in interest rates that makes less risk yield oriented investments more attractive. If the impact on the partnership from any of these factors proves to be different than we anticipate, the MLP may continue to trade below our target price. Conversely, we believe the units could materially outperform our price target if throughput levels increase to a point where the distribution coverage ratio is significantly improved.

MarkWest Energy Partners LP

Company description

MWE is a natural gas gathering and processing (G&P) MLP with operations in Southwest, Northeast and Gulfcoast regions. Southwest operations consist primarily of G&P assets in the Granite wash, Woodford, Haynesville and Cotton Valley formations. In the Northeast MWE's operations consist of a rapidly growing G&P and NGL fractionation asset base through its Liberty segment in Marcellus and also assets in mature Appalachia gas producing regions. On the US Gulf Coast MWE operates a refinery off-gas processing and fractionation facility. In early 2008 MWE bought back its General Partner MarkWest Energy GP LLC in order to reduce to lower its cost of capital as it embarked on a significant asset growth plan

Investment strategy

We rate MarkWest Energy Partners LP (MWE) as a Buy (1) with a target price of \$67.00. In our view, MarkWest has one of the most attractive asset positions in the Marcellus shale play (the largest shale resource in the U.S.) that includes exceptional relationships with customers and an inventory of growth projects that are likely to continue to grow as this resource is developed over the next 5 to 10 years. Further, the partnership has demonstrated very attractive rates of returns in this basin of ~15% that is coupled with a strong balance sheet, high distribution coverage ratio, no general partnership interest, and sufficient liquidity. Combined, we believe MarkWest is well positioned to grow the distribution at an attractive 10%+ over the next several years, which ranks well above the MLP peer group average of 4% to 5%. We estimate about 70% of the partnership's cash distributions will be tax deferred.

Valuation

Our 12-month target price is \$67.00 per unit. Our target price is based on partnership achieving a distribution rate of \$3.54/unit 12 months from now and the partnership trading at a yield of 5.25%. Our premium yield for MWE is based on partnership's distribution growth potential as we estimate that the partnership is well placed to grow distributions at a rate of ~17% over the next 12-months.

We use a discounted cash flow analysis as a secondary valuation metric. The equity value for MWE derived by our two stage DCF model is \$67.51 which is slightly higher than our implied yield valuation but none-the-less supports that valuation. The basic inputs used in our DCF model include our assumption that the partnership should be able to increase distributions by ~14% over the next 3 -4 years and by 0% annually thereafter beginning in the fifth year and extending into perpetuity. Finally our cost of equity of 7.0% is based upon our estimate of investors yield expectation under steady state conditions and also takes into account the partnership's operating and financial risks.

Risks

Our Buy (1) rating and \$67.00 target price on MarkWest Energy Partners is based on consideration of key risk factors which include: 1) variability of cash flows, 2) balance sheet strength and 3) distribution coverage. MWE has above-average commodity price exposure creating variability in cash flows and some execution risks on its Marcellus growth plans. MarkWest Energy's balance sheet strength as measured by Debt/EBITDA at the end of 2012 is expected to be ~4.0x (MLP average of 3.8x) and the partnership should be able to cover 2012 distributions by ~1.35x, well above the MLP average of 1.11x. The higher leverage is however expected to come down to ~3.0 x by 2014 as the partnership benefits from its investments in Marcellus. Risks to the MLP achieving our 12-month target price include: 1) a material decline in frac-spreads; 2) inability to obtain access to new natural gas volumes for its gathering, processing and pipeline business. A material decrease in natural gas production, as a result of depressed commodity prices or otherwise, could also result in a decline in volumes processed and shipped by the partnership. If the impact of these factors proves to be greater than we anticipate, the MLP may not reach our target price. Conversely, the units could materially outperform our target price if either: crude oil and NGL prices rise significantly from current levels resulting in improved processing margins; or volumes on the partnership's gathering systems increase sharply. Overall, we expect unit price volatility to likely remain high.

ONEOK Partners LP

Company description

ONEOK Partners, L.P. (NYSE: OKS) is one of the largest publicly traded master limited partnerships (MLP) and is a leader in the gathering, processing, storage and transportation of natural gas in the U.S. and owns one of the nation's premier natural gas liquids (NGL) systems, connecting NGL supply in the Mid-Continent and Rocky Mountain regions with key market centers. Its general partner is a wholly owned subsidiary of ONEOK, Inc. (NYSE: OKE), a diversified energy company, which owns 45.1 percent of the partnership. ONEOK is one of the largest natural gas distributors in the United States, and its energy services operation focuses primarily on marketing natural gas and related services throughout the U.S.

Investment strategy

We rate ONEOK Partners Buy (1). We believe the current valuation does not reflect OKS's above-average growth potential and the recent improvement of the partnership's ability to capture increasing margins across its highly integrated NGL infrastructure assets. Importantly, OKS has announced organic projects that total nearly \$3.0 billion over the next three years at what we believe will earn attractive rates of return. We now believe the partnership has the potential to grow distributions by 16.5% over the next 12 months, well above our expected MLP average growth of 7.8%. OKS owns and operates a high quality set of vertically-integrated midstream assets that should benefit from a large portfolio of expansion projects over the next few years. We view the partnership's strategically located NGL assets in the Midcontinent as the key to its attractive organic growth profile with announced investment opportunities of ~\$3.0 billion that include gathering and transporting liquids out of highly prolific basins such as the Bakken, Niobrara, and Woodford Shale plays. OKS derives ~70% of its cash flow from stable fee-based contracts with the remaining ~30% from its natural gas G&P operations - a business that is sensitive to changes in commodity prices. OKS has hedged ~72% of this exposure for 2012. We estimate that approximately 80% of the partnership's distributions will be tax deferred.

Valuation

Our 12-month target price is \$66.00 per unit. Our target price assumes that OKS will be able to raise distributions to an annualized rate of \$2.96/unit over the next 12 months and that the units should trade with a 4.50% yield. Our choice of the implied yield is a function of the MLP's growth outlook, risk profile, and the broader yield environment. We use a discounted cash flow analysis as a secondary valuation metric. The equity value for ONEOK Partners derived by our two-stage DCF model is \$64.45 per unit, which is below our implied yield valuation, but nonetheless supports our current target. The basic inputs used in our DCF model include our assumptions that distributions growth through 2016 will be roughly 8.0% and grow by 0% annually thereafter into perpetuity. Finally, our cost of equity of 5.75% is based upon our estimate of investors' yield expectation under steady state conditions and also considers the partnership's operating and financial risks.

Risks

Our rating and target price on ONEOK Partners, LP are based on the consideration of key risk factors which include: 1) balance sheet strength, 2) distribution coverage, 3) variability of cash flows. ONEOK's balance sheet strength as measured by 2012 Debt/EBITDA is projected to be 3.4x which is below the MLP average of 3.6x. The

partnership's 2012 projected distribution coverage ratio of 1.24x is also above the MLP average of 1.12x, reflecting our view that the pipeline of internal growth projects should support distributions. The partnership does have variability of cash flows, primarily due to its commodity price exposure in its gathering and processing business offset by increased diversification of assets. Other factors considered in our risk assessment include volatility of monthly returns as well as average daily trading volume. Factors that could cause the MLP to continue trading below our target price include the following: 1) an increase in interest rates that could make the partnership's yield less attractive; 2) gathering volumes decreasing to a point where a cash flow no longer support the current distribution; and 3) significant decrease in commodity prices, particularly crude, that reduce the partnership's cash flows. If the impact on the partnership from any of these factors proves to be greater than we anticipate, the MLP could materially underperform our target price. Conversely, if the partnership is able to increase volumes on its current assets or commodity price increase cash flows would likely increase, which could support higher distributions.

Targa Resources Partners LP

Company description

Targa Resource Partners LP (NGLS) is a publicly traded master limited partnership (MLP) and is engaged in gathering, treating, processing and selling natural gas and fractionating, treating and selling natural gas liquids. NGLS also owns an extensive network of integrated gathering pipelines and natural gas processing plants in the Permian Basin, North Texas, and the Louisiana Gulf Coast. Additionally, the partnership's NGL logistics and marketing assets are located primarily at Mont Belvieu and Galena Park near Houston, Texas and in Lake Charles, Louisiana with terminals and transportation assets across the United States. The partnership's general partner is Targa Resources Inc., which is controlled by Warburg Pincus (73.6%), Bank of America (6.5%), and management (19.9%).

Investment strategy

We rate Targa Resources Partners, L.P. (NGLS) Buy (1) with a 12-month target price of \$49.50 per unit. Our positive stance is based on partnership's strategically located assets that we believe are ideally positioned to benefit from current industry trends as it pertains to US liquids supply growth. Specifically, the partnership's NGL logistics assets in the Gulf Coast and gathering & processing plants in liquid rich resource basins should capture new volumes as a result of strong drilling activity. NGL infrastructure remains highly utilized with new capacity still needed and margins remain high at new build economics. Management expects to complete \$1 billion of organic growth projects in 2012 and 2013, up more than 75% YoY. Additional growth opportunities include a 100,000 bpd Frac train V at Cedar Bayou currently under evaluation. Though NGLS has some exposure to commodity prices through its processing contracts, we believe this is significantly offset by the partnership's high returns on invested capital and hedging policy. These hedges significantly reduce the partnership's exposure to commodity prices in the near and medium term. At the same-time about \$1 billion of new investments are expected to start contributing to cash flows over the next couple of years. We estimate that NGLS is well positioned to grow distributions annually by more than 8% over the next three to four years. Our 2012 estimates reflect ~\$107/bbl WTI crude oil, \$125/bbl Brent Crude Oil and \$2.44/Mcf natural gas. We estimate that approximately 80% of the partnership's distributions will be tax deferred.

Valuation

Our 12-month target price on NGLS is \$49.50 per unit. Our target price is based on the partnership achieving an annualized distribution of \$2.83 12 months from now and the units should trade at a yield of 5.75%. Our choice of the yield is a function of the risk inherent in gathering and processing operations, the contract mix, the partnership's projected coverage ratio, and broad investor sentiment. The equity value for NGLS derived by our two-stage DCF model is \$49.03, which is slightly below our implied yield valuation. We think this result supports the reasonableness of the output derived by our implied yield valuation. The basic inputs used in our DCF model include our assumptions that distributions will increase by ~9.0% annually through 2016 and by 1.0% annually extending into perpetuity beyond 2016. Finally, our cost of equity 6.75% is based upon our estimate of investors' yield expectation under steady state conditions and also considers the partnership's operating and financial risks.

Risks

Our rating and target price on Targa Resources Partners are based on the consideration of key risk factors that include: 1) balance sheet strength, 2) distribution coverage, and 3) variability of cash flows. The partnership's balance sheet strength as measured by 2012 Debt/EBITDA is projected to be ~3.4x which is better than the MLP average of 3.9x. The partnership's 2012 distribution coverage ratio is expected to be 1.25x, which is better than the MLP average of 1.10x. However, due to the partnership's sensitivity to commodity prices, we view its cash flows as being highly variable. Risks to the MLP achieving our 12-month target price include the following: 1) the inability of the partnership being able to obtain access to new natural gas volumes for its gathering, processing and pipeline business; and 2) a significant decrease in the prices at which the partnership locks in hedges for its NGLs and natural gas. A material decrease in natural gas production, as a result of depressed commodity prices or otherwise could also result in a decline in volumes processed and shipped by the partnership. If the impact on the partnership from any of these factors proves to be greater than we anticipate, the MLP may not reach our target price. Conversely, the units could materially outperform our target price if commodity prices increase and volumes on the partnership's gathering and transportation systems increase.

Williams Partners LP

Company description

Williams Partners, L.P. (WPZ) is a diversified midstream energy master limited partnership (MLP) focused on natural gas transportation, gathering, treating and processing, storage, NGL fractionation and oil transportation. Operations are located in the U.S. and are divided into two business segments: Gas Pipeline and Midstream Gas & Liquids. Pipeline includes Transco, Northwest Pipeline and Gulfstream (49% equity interest), which own and operate a combined total of approximately 14,430 miles of FERC-regulated pipelines with 14.7 Bcf/d of delivery capacity and 231 Bcf of natural gas storage. Midstream includes natural gas gathering, processing and treating facilities, and crude oil gathering and transportation facilities with primary service areas concentrated in major producing basins on the Gulf Coast (including the Gulf of Mexico) and Onshore across the West (CO, NM, WY) and East (PA, WV). Midstream includes 7.3 Bcf/d of gathering capacity, 6.3 Bcf/d of processing capacity, and 284,500 Bbls/d of NGL production capacity. WPZ Midstream also owns equity interests in Laurel Mountain Midstream

(51%), Discovery Producer Services (60%), Aux Sable Liquid Products (14.6% and Overland Pass Pipeline Co (50%). The Williams Companies (NYSE: WMB) owns ~71% of WPZ as the general partner and formed the partnership to operate and acquire complementary midstream assets.

Investment strategy

We rate Williams Partners LP as a Buy (1), with a 12-month price target of \$64.00 per unit. Our Buy rating reflects our view that the partnership should be able to realize competitive processing margins as most of its midstream assets have access to the end users in the Gulf Coast. Therefore, the partnership should be able to take advantage of currently wide ethane basis differentials. In addition, the partnership derives nearly 70% of its cash flows from fee-based assets, ensuring a stable baseline income. Moreover, the partnership has outlined nearly \$6 billion of growth projects which will likely drive above-average distribution growth in the next few years. The partnership's strong coverage ratio also provides additional upside potential on distributions. Despite the strong visibility to near- and long-term growth, the partnership units are trading at a discount to some other large-cap integrated MLPs. We see substantial upside from current levels and believe units will eventually trade inline with its peer group.

Valuation

Our 12-month target price for Williams Partners, L.P. is \$64.00 per unit based on a projected yield of 5.25% and our forward 12-month distribution estimate of \$3.37/unit, which implies 8.4% growth from the current distribution. Our choice of the implied yield is a function of the MLP's growth outlook, risk profile, and the broader yield environment. We believe our assumption balances WPZ's large investment grade balance sheet and stable FERC-regulated cash flows with its unhedged commodity price exposure and production volume risk. The equity value for WPZ derived by our two-stage DCF model is \$62.75, which is slightly below our implied yield valuation, but nonetheless supports the reasonableness of the output derived by our implied yield valuation. The basic inputs used in our DCF model include our assumptions that distributions will increase by ~7.5% annually through 2016 and by 1.0% annually extending into perpetuity beyond 2016. Finally, our cost of equity of 7.45% is based upon our estimate of investors' yield expectation under steady state conditions and also considers the partnership's operating and financial risks.

Risks

We rate WPZ a Buy based on the consideration of key risk factors that include: 1) balance sheet strength, 2) distribution coverage, and 3) variability of cash flows. WPZ has an investment grade rating and '12E Debt/EBITDA ~3.5x, versus its peers' average of ~3.8x. WPZ's '12E distribution coverage of ~1.22x is above its peer average of ~1.18x. Roughly 70% of WPZ's cash flows come from stable fee-based assets with the remainder coming from primarily Keep-Whole natural gas processing. Other factors considered in our risk-rating include volatility of monthly returns as well as daily trading volume. Risks to the MLP achieving our 12-month target price include the following: 1) a material decrease in natural gas production or crude oil refining as a result of depressed commodity prices; 2) the inability of the partnership being able to obtain access to new natural gas volumes for its processing and pipeline business; and 3) a decrease in the difference between NGL product prices and natural gas prices that results in lower processing margins. If the impact of these factors proves to be greater than we anticipate, the MLP may not reach our target price. Conversely, the units could materially outperform our target

price if NGL processing margins improve or volumes on the partnership's gathering and transportation systems increase in the face of strong commodity markets.

Appendix A-1

Analyst Certification

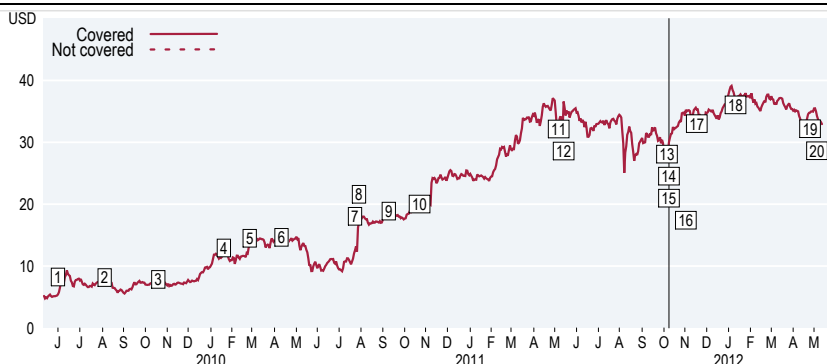
The research analyst(s) primarily responsible for the preparation and content of this research report are named in bold text in the author block at the front of the product except for those sections where an analyst's name appears in bold alongside content which is attributable to that analyst. Each of these analyst(s) certify, with respect to the section(s) of the report for which they are responsible, that the views expressed therein accurately reflect their personal views about each issuer and security referenced and were prepared in an independent manner, including with respect to Citigroup Global Markets Inc and its affiliates. No part of the research analyst's compensation was, is, or will be, directly or indirectly, related to the specific recommendation(s) or view(s) expressed by that research analyst in this report.

IMPORTANT DISCLOSURES

Atlas Pipeline Partners (APL)

Ratings and Target Price History Fundamental Research

Analyst: John K Tysseland



Date	Rating	Target Price	Closing Price
1-Jun-09	3S	*5.00	5.41
5-Aug-09	3S	*6.00	7.55
20-Oct-09	*2S	*8.00	7.84
20-Jan-10	*1S	*17.00	12.20
25-Feb-10	1S	*18.00	13.32
12-Apr-10	1S	*21.00	14.42
23-Jul-10	1S	*17.50	12.54

* Indicates change

Date	Rating	Target Price	Closing Price
29-Jul-10	*1H	*22.00	17.00
9-Sep-10	1H	*21.00	18.00
22-Oct-10	1H	*22.50	19.78
6-May-11	1H	*40.00	32.74
13-May-11	1H	*42.00	36.59
6-Oct-11	1H	*37.00	29.19
8-Oct-11	Stock rating system changed		

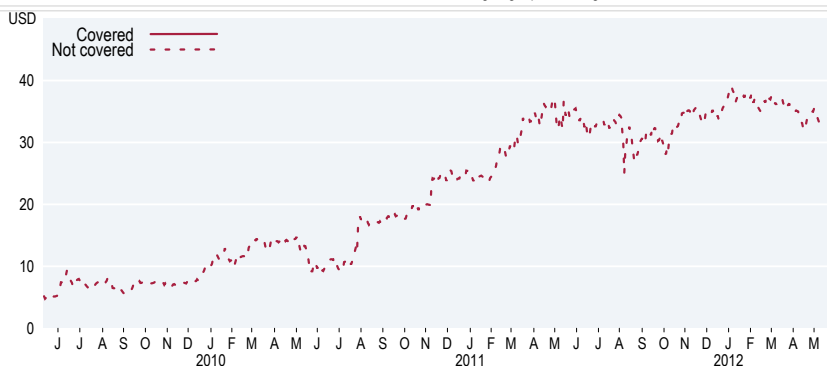
Date	Rating	Target Price	Closing Price
8-Oct-11	*1	37.00	28.54
2-Nov-11	1	*38.50	35.25
17-Nov-11	1	*40.00	35.28
11-Jan-12	1	*42.00	36.50
25-Apr-12	1	*41.00	34.80
4-May-12	1	*42.00	34.23

Rating/target price changes above reflect Eastern Standard Time

Atlas Pipeline Partners (APL)

Ratings and Target Price History Best Ideas Research Relative Call (3 Month)

Analyst: John K Tysseland



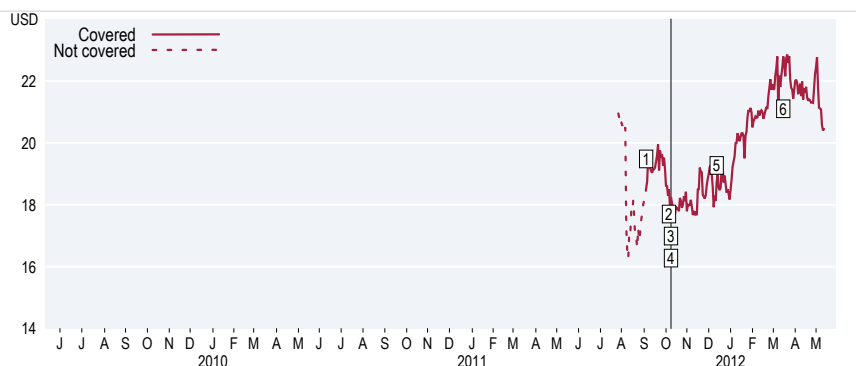
* Indicates change

Rating/target price changes above reflect Eastern Standard Time

American Midstream Partners LP (AMID)

Ratings and Target Price History Fundamental Research

Analyst: John K Tysseland
Covered since September 6 2011



	Date	Rating	Target Price	Closing Price
1	5-Sep-11	*1S	*23.00	18.29
2	6-Oct-11	1S	*22.50	18.50

* Indicates change

	Date	Rating	Target Price	Closing Price
3	8-Oct-11	Stock rating system changed		
4	8-Oct-11	*1	22.50	17.94

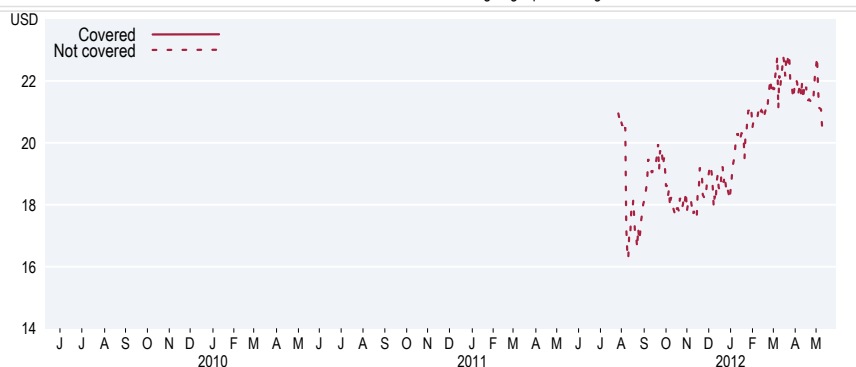
	Date	Rating	Target Price	Closing Price
5	13-Dec-11	1	*23.00	18.75
6	15-Mar-12	1	*24.00	22.79

Rating/target price changes above reflect Eastern Standard Time

American Midstream Partners LP (AMID)

Ratings and Target Price History Best Ideas Research Relative Call (3 Month)

Analyst: John K Tysseland
Covered since September 6 2011



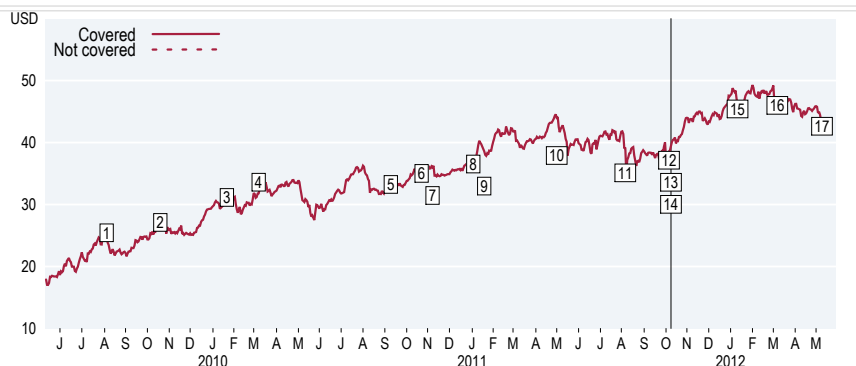
* Indicates change

Rating/target price changes above reflect Eastern Standard Time

DCP Midstream Partners LP (DPM)

Ratings and Target Price History Fundamental Research

Analyst: John K Tysseland



	Date	Rating	Target Price	Closing Price
1	5-Aug-09	2H	*24.00	24.84
2	20-Oct-09	2H	*28.50	26.49
3	21-Jan-10	2H	*30.00	30.03
4	8-Mar-10	2H	*35.00	31.80
5	9-Sep-10	2H	*34.50	32.82
6	22-Oct-10	2H	*37.00	35.02

* Indicates change

	Date	Rating	Target Price	Closing Price
7	7-Nov-10	2H	*39.00	36.17
8	4-Jan-11	2H	*41.00	37.47
9	19-Jan-11	*1H	*45.00	38.60
10	1-May-11	1H	*52.00	44.55
11	5-Aug-11	1H	*53.00	39.19
12	6-Oct-11	1H	*48.50	38.58

	Date	Rating	Target Price	Closing Price
13	8-Oct-11	Stock rating system changed		
14	8-Oct-11	*1	48.50	38.77
15	11-Jan-12	1	*53.50	46.24
16	7-Mar-12	1	*55.00	46.22
17	9-May-12	1	*51.00	42.63

Rating/target price changes above reflect Eastern Standard Time

DCP Midstream Partners LP (DPM)

Ratings and Target Price History

Best Ideas Research

Relative Call (3 Month)

Analyst: John K Tysseland



* Indicates change

Rating/target price changes above reflect Eastern Standard Time

Enbridge Energy Partners LP (EEP)

Ratings and Target Price History

Fundamental Research

Analyst: John K Tysseland



* Indicates change

Rating/target price changes above reflect Eastern Standard Time

Date	Rating	Target Price	Closing Price
1 15-Jul-09	*2H	20.00	20.82
2 20-Jul-09	2H	*22.00	22.06
3 28-Jul-09	2H	*22.50	22.73
4 20-Oct-09	2H	*23.75	23.92
5 3-Nov-09	2H	*24.25	22.75
6 21-Jan-10	2H	*27.50	27.30

Date	Rating	Target Price	Closing Price
7 1-Feb-10	2H	*27.25	26.44
8 23-Jul-10	2H	*28.25	29.04
9 22-Oct-10	2H	*30.00	30.23
10 2-Feb-11	2H	*32.50	31.49
11 27-Jul-11	*1H	*34.00	28.90
12 6-Oct-11	1H	*32.00	27.40

Date	Rating	Target Price	Closing Price
13 8-Oct-11	Stock rating system changed		
14 8-Oct-11	*1	32.00	26.87
15 11-Jan-12	1	*36.50	32.57
16 2-May-12	1	*35.00	30.74

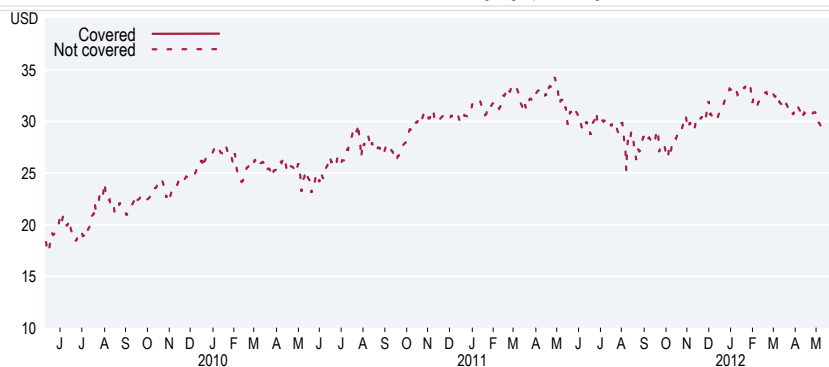
Enbridge Energy Partners LP (EEP)

Ratings and Target Price History

Best Ideas Research

Relative Call (3 Month)

Analyst: John K Tysseland



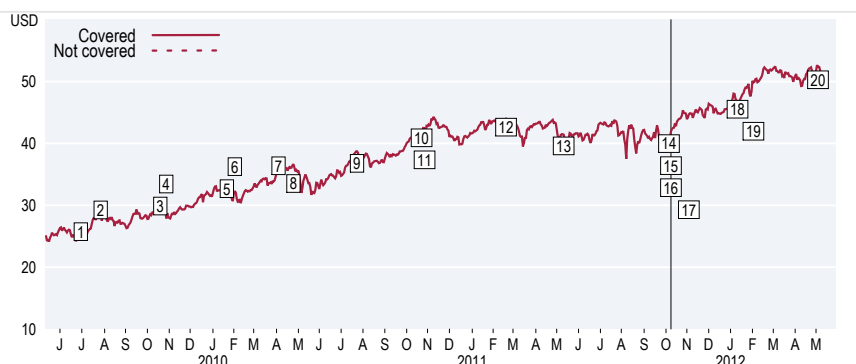
* Indicates change

Rating/target price changes above reflect Eastern Standard Time

Enterprise Products Partners LP (EPD)

Ratings and Target Price History Fundamental Research

Analyst: John K Tysseland



	Date	Rating	Target Price	Closing Price
1	30-Jun-09	*2M	*26.00	24.94
2	28-Jul-09	2M	*28.00	29.25
3	20-Oct-09	2M	*30.50	29.66
4	28-Oct-09	*1M	30.50	27.88
5	21-Jan-10	1M	*36.00	32.31
6	2-Feb-10	1M	*36.50	32.29
7	5-Apr-10	1M	*38.50	35.82

* Indicates change

	Date	Rating	Target Price	Closing Price
8	26-Apr-10	1M	*40.00	36.65
9	23-Jul-10	1M	*42.00	38.73
10	22-Oct-10	1M	*46.00	42.07
11	27-Oct-10	1M	*47.00	42.06
12	18-Feb-11	1M	*48.00	44.00
13	11-May-11	1M	*48.50	41.41
14	6-Oct-11	1M	*47.00	41.29

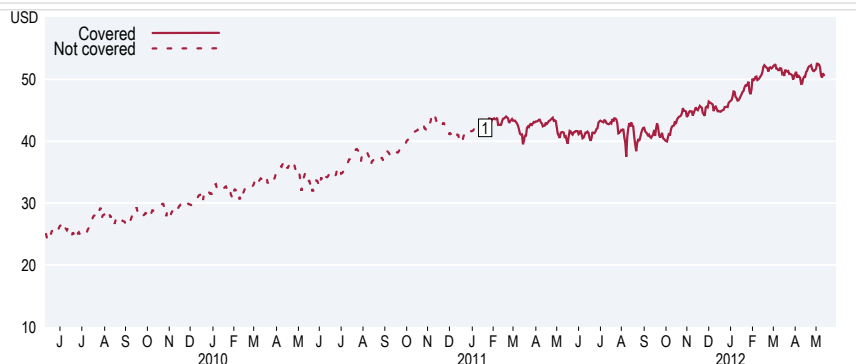
	Date	Rating	Target Price	Closing Price
15	8-Oct-11	Stock rating system changed		
16	8-Oct-11	*1	47.00	40.90
17	3-Nov-11	1	*49.50	44.67
18	11-Jan-12	1	*52.00	46.57
19	2-Feb-12	1	*56.00	49.87
20	3-May-12	1	*59.00	52.26

Rating/target price changes above reflect Eastern Standard Time

Enterprise Products Partners LP (EPD)

Ratings and Target Price History Best Ideas Research Relative Call (3 Month)

Analyst: John K Tysseland



	Date	Rating	Target Price	Closing Price
1	20-Jan-11	*ADD MP	-	42.17

* Indicates change

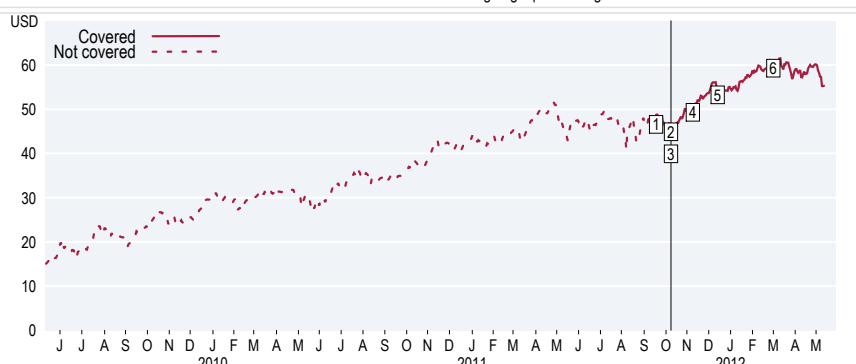
Rating/target price changes above reflect Eastern Standard Time

MarkWest Energy Partners LP (MWE)

Ratings and Target Price History Fundamental Research

Analyst: John K Tysseland

Covered since September 19 2011



	Date	Rating	Target Price	Closing Price
1	19-Sep-11	*1H	*57.50	48.75
2	8-Oct-11	Stock rating system changed		

* Indicates change

	Date	Rating	Target Price	Closing Price
3	8-Oct-11	*1	57.50	44.90
4	9-Nov-11	1	*59.00	49.30

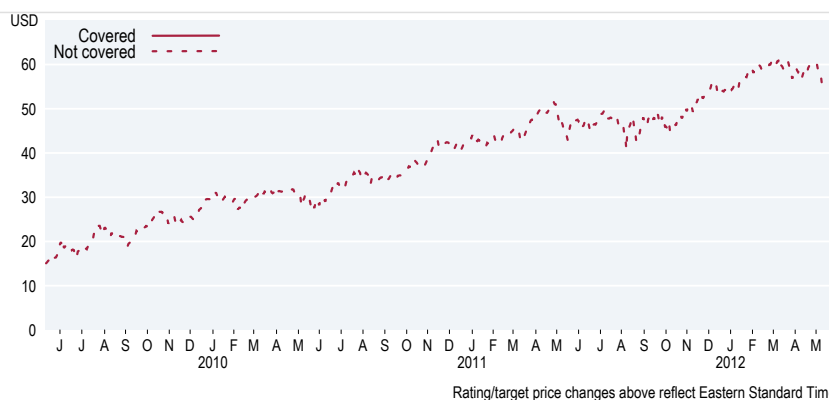
	Date	Rating	Target Price	Closing Price
5	14-Dec-11	1	*62.00	53.25
6	1-Mar-12	1	*67.00	59.68

Rating/target price changes above reflect Eastern Standard Time

MarkWest Energy Partners LP (MWE)

Ratings and Target Price History
Best Ideas Research
Relative Call (3 Month)

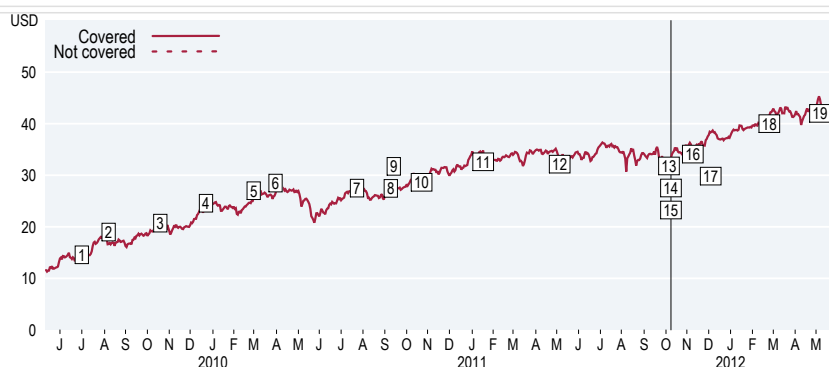
Analyst: John K Tysseland
Covered since September 19 2011



Targa Resources Partners LP (NGLS)

Ratings and Target Price History
Fundamental Research

Analyst: John K Tysseland



Date	Rating	Target Price	Closing Price
1 1-Jul-09	1H	*19.00	13.90
2 7-Aug-09	1H	*21.00	16.65
3 20-Oct-09	1H	*23.00	20.67
4 23-Dec-09	1H	*26.50	24.10
5 1-Mar-10	1H	*31.50	25.70
6 31-Mar-10	1H	*33.00	26.51
7 23-Jul-10	1H	*32.00	27.04

* Indicates change

Date	Rating	Target Price	Closing Price
8 9-Sep-10	1H	*30.50	27.10
9 14-Sep-10	1H	*31.50	27.21
10 22-Oct-10	1H	*33.50	28.72
11 18-Jan-11	1H	*40.50	34.80
12 5-May-11	1H	*43.50	32.67
13 6-Oct-11	1H	*41.00	32.90
14 8-Oct-11	Stock rating system changed		

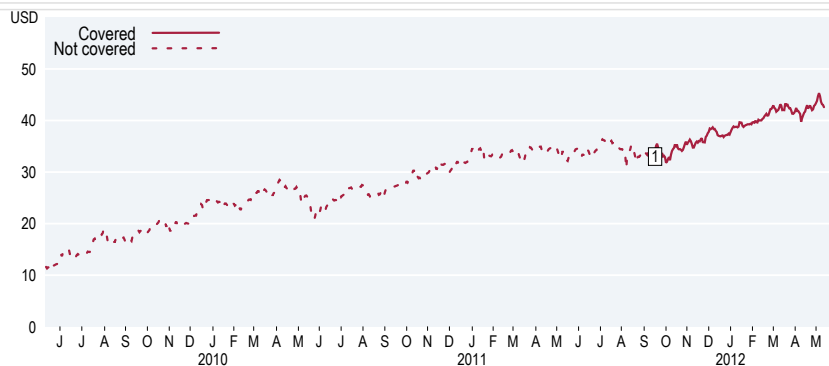
Date	Rating	Target Price	Closing Price
15 8-Oct-11	*1	41.00	32.29
16 9-Nov-11	1	*41.50	34.75
17 4-Dec-11	1	*44.00	38.44
18 24-Feb-12	1	*45.50	41.55
19 7-May-12	1	*49.50	44.74

Rating/target price changes above reflect Eastern Standard Time

Targa Resources Partners LP (NGLS)

Ratings and Target Price History
Best Ideas Research
Relative Call (3 Month)

Analyst: John K Tysseland

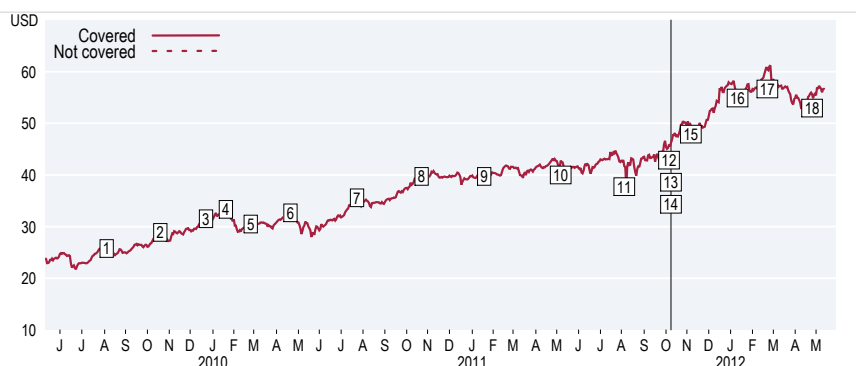


Date	Rating	Target Price	Closing Price
1 16-Sep-11	*ADD MP	-	34.01

* Indicates change

ONEOK Partners LP (OKS) **Ratings and Target Price History** **Fundamental Research**

Analyst: John K Tysseland



	Date	Rating	Target Price	Closing Price
1	5-Aug-09	1M	*27.50	24.93
2	20-Oct-09	1M	*30.25	28.57
3	23-Dec-09	1M	*33.25	31.11
4	20-Jan-10	*2M	*32.50	33.25
5	24-Feb-10	*1M	32.50	30.04
6	21-Apr-10	1M	*35.25	32.49

* Indicates change

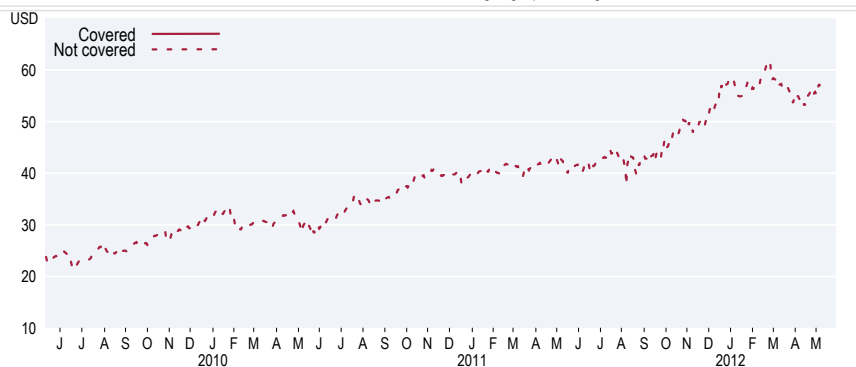
	Date	Rating	Target Price	Closing Price
7	23-Jul-10	*2M	*37.00	35.03
8	22-Oct-10	2M	*40.75	39.68
9	19-Jan-11	2M	*43.25	40.15
10	6-May-11	*1M	*48.50	42.77
11	4-Aug-11	1M	*50.00	41.71
12	6-Oct-11	1M	*52.50	45.89

	Date	Rating	Target Price	Closing Price
13	8-Oct-11	Stock rating system changed		
14	8-Oct-11	*1	52.50	45.53
15	7-Nov-11	1	*54.50	49.53
16	11-Jan-12	1	*63.50	55.10
17	22-Feb-12	1	*67.50	60.44
18	25-Apr-12	1	*66.00	55.66

Rating/target price changes above reflect Eastern Standard Time

ONEOK Partners LP (OKS) **Ratings and Target Price History** **Best Ideas Research** **Relative Call (3 Month)**

Analyst: John K Tysseland

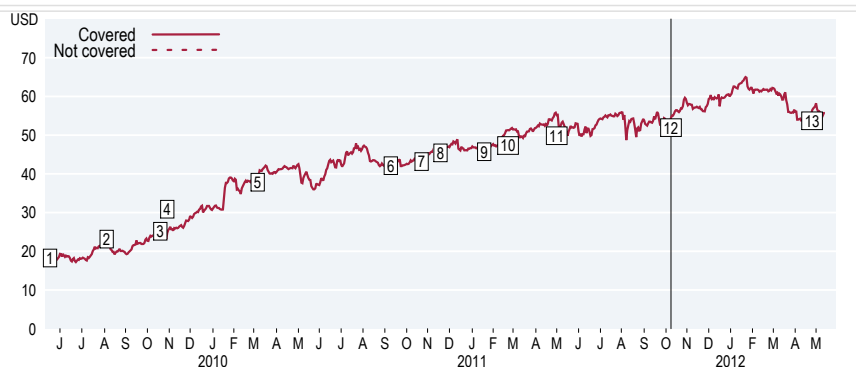


* Indicates change

Rating/target price changes above reflect Eastern Standard Time

Williams Partners LP (WPZ) **Ratings and Target Price History** **Fundamental Research**

Analyst: John K Tysseland



	Date	Rating	Target Price	Closing Price
1	15-May-09	2H	*18.00	17.52
2	5-Aug-09	2H	*22.00	22.35
3	20-Oct-09	2H	*26.00	24.71
4	29-Oct-09	*1H	*29.50	24.72
5	5-Mar-10	*1M	*44.00	38.91

* Indicates change

	Date	Rating	Target Price	Closing Price
6	9-Sep-10	1M	*49.00	42.97
7	22-Oct-10	1M	*52.00	43.53
8	18-Nov-10	1M	*55.00	45.81
9	19-Jan-11	1M	*55.50	46.01
10	22-Feb-11	1M	*56.00	51.30

	Date	Rating	Target Price	Closing Price
11	1-May-11	1M	*62.50	55.80
12	8-Oct-11	Stock rating system changed		
13	25-Apr-12	*1	*64.00	56.40

Rating/target price changes above reflect Eastern Standard Time

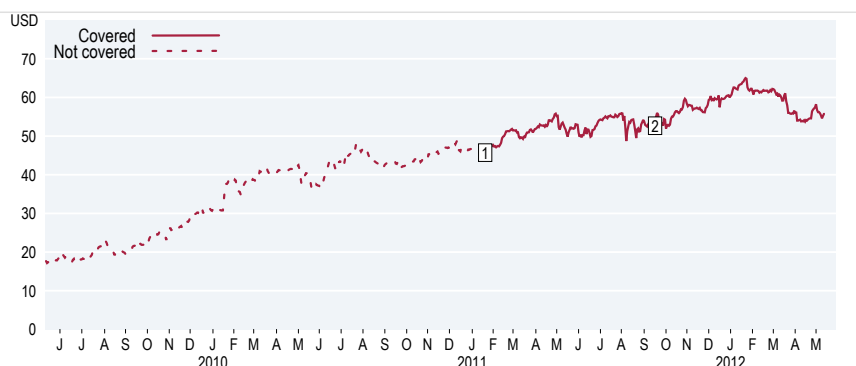
Williams Partners LP (WPZ)

Ratings and Target Price History

Best Ideas Research

Relative Call (3 Month)

Analyst: John K Tysseland



Date	Rating	Target Price	Closing Price
[1] 20-Jan-11	*ADD MP	-	45.72

Date	Rating	Target Price	Closing Price
[2] 16-Sep-11	*REM MP	-	54.08

* Indicates change

Rating/target price changes above reflect Eastern Standard Time

Citigroup Global Markets, Inc. was an advisor in Williams Partners LP's acquisition of Caiman Energy LLC.

Citigroup Global Markets Inc. or its affiliates beneficially owns 1% or more of any class of common equity securities of Atlas Pipeline Partners, DCP Midstream Partners LP, Enbridge Energy Partners LP, Enterprise Products Partners LP, MarkWest Energy Partners LP, Targa Resources Partners LP, ONEOK Partners LP. This position reflects information available as of the prior business day.

Within the past 12 months, Citigroup Global Markets Inc. or its affiliates has acted as manager or co-manager of an offering of securities of Atlas Pipeline Partners, American Midstream Partners LP, DCP Midstream Partners LP, Enbridge Energy Partners LP, Enterprise Products Partners LP, MarkWest Energy Partners LP, Targa Resources Partners LP, ONEOK Partners LP, Williams Partners LP.

Citigroup Global Markets Inc. or its affiliates has received compensation for investment banking services provided within the past 12 months from Atlas Pipeline Partners, American Midstream Partners LP, DCP Midstream Partners LP, Enbridge Energy Partners LP, Enterprise Products Partners LP, MarkWest Energy Partners LP, Targa Resources Partners LP, ONEOK Partners LP, Williams Partners LP.

Citigroup Global Markets Inc. or its affiliates expects to receive or intends to seek, within the next three months, compensation for investment banking services from Atlas Pipeline Partners, DCP Midstream Partners LP, Targa Resources Partners LP.

Citigroup Global Markets Inc. or an affiliate received compensation for products and services other than investment banking services from Atlas Pipeline Partners, American Midstream Partners LP, DCP Midstream Partners LP, Enbridge Energy Partners LP, MarkWest Energy Partners LP, Targa Resources Partners LP, ONEOK Partners LP, Williams Partners LP in the past 12 months.

Citigroup Global Markets Inc. currently has, or had within the past 12 months, the following as investment banking client(s): Atlas Pipeline Partners, Enbridge Energy Partners LP, Enterprise Products Partners LP, ONEOK Partners LP, Williams Partners LP, Targa Resources Partners LP, American Midstream Partners LP, MarkWest Energy Partners LP, DCP Midstream Partners LP.

Citigroup Global Markets Inc. currently has, or had within the past 12 months, the following as clients, and the services provided were non-investment-banking, securities-related: Atlas Pipeline Partners, DCP Midstream Partners LP, Enbridge Energy Partners LP, Enterprise Products Partners LP, MarkWest Energy Partners LP, Targa Resources Partners LP, ONEOK Partners LP, Williams Partners LP.

Citigroup Global Markets Inc. currently has, or had within the past 12 months, the following as clients, and the services provided were non-investment-banking, non-securities-related: Atlas Pipeline Partners, American Midstream Partners LP, DCP Midstream Partners LP, Enbridge Energy Partners LP, MarkWest Energy Partners LP, Targa Resources Partners LP, ONEOK Partners LP, Williams Partners LP.

Citigroup Global Markets Inc. or an affiliate received compensation in the past 12 months from Atlas Pipeline Partners, Enbridge Energy Partners LP, Enterprise Products Partners LP, ONEOK Partners LP, Williams Partners LP, Targa Resources Partners LP, American Midstream Partners LP, MarkWest Energy Partners LP.

Analysts' compensation is determined based upon activities and services intended to benefit the investor clients of Citigroup Global Markets Inc. and its affiliates ("the Firm"). Like all Firm employees, analysts receive compensation that is impacted by overall firm profitability which includes investment banking revenues.

For important disclosures (including copies of historical disclosures) regarding the companies that are the subject of this Citi Investment Research & Analysis product ("the Product"), please contact Citi Investment Research & Analysis, 388 Greenwich Street, 28th Floor, New York, NY, 10013, Attention: Legal/Compliance [E6WYB6412478]. In addition, the same important disclosures, with the exception of the Valuation and Risk assessments and historical disclosures, are contained on the Firm's disclosure website at https://www.citivelocity.com/cvr/eppublic/citi_research_disclosures. Valuation and Risk assessments can be found in the text of the most recent research note/report regarding the subject company. Historical disclosures (for up to the past three years) will be provided upon request.

Citi Investment Research & Analysis Ratings Distribution

Data current as of 31 Mar 2012

Citi Investment Research & Analysis Global Fundamental Coverage

% of companies in each rating category that are investment banking clients

12 Month Rating			Relative Rating		
Buy	Hold	Sell	Buy	Hold	Sell
52%	37%	11%	10%	79%	10%
44%	42%	40%	47%	42%	43%

Guide to Citi Investment Research & Analysis (CIRA) Fundamental Research Investment Ratings:

CIRA's stock recommendations include an investment rating and an optional risk rating to highlight high risk stocks.

Risk rating takes into account both price volatility and fundamental criteria. Stocks will either have no risk rating or a High risk rating assigned.

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