

Equity Research

Tesoro Logistics L.P.

TLLP: Q3 Ahead Of Forecast--Raising Valuation And Estimate
Risk/Reward Favorable With Bakken And Drop-Down Opportunities

Outperform / V

- **Key Takeaways.** Q3 operating results beat our estimates and management's guidance. We are increasing our 2011 DCF per unit estimate to \$1.81 from \$1.65 to reflect the Q3 variance. The timing of TLLP's first distribution increase to \$0.35 per unit was also earlier than anticipated. We are raising our valuation range by \$1 to \$26-28 per unit to reflect a slightly higher 5-year distribution CAGR forecast of 10.0% versus 9.6% previously. We are maintaining our Outperform rating as risk/reward remains compelling, in our view. TLLP offers investors an attractive and relatively low-risk way to participate in (1) the anticipated growth in Bakken infrastructure and (2) potential upside tied to drop-down opportunities from the GP sponsor.
- **Q3 2011 Results Ahead Of Expectations.** TLLP reported Q3 2011 total EBITDA of \$17.7MM, beating our estimate of \$14.4MM, consensus of \$15.3MM, and management's guidance of \$14-15MM. The variance from our forecast was primarily attributable to higher-than-expected revenues for both the crude oil gathering and terminalling segments and lower-than-anticipated operating expenses. DCF/unit was \$0.56, which was also above our estimate of \$0.42 due to Q3 operating results. TLLP raised its distribution for the first time since its IPO to \$0.35 per unit, which was above our forecast of \$0.34. The Q3 distribution coverage was strong at 1.6x (or excess cash flow of \$6.3MM).
- **Updated EBITDA Guidance Slightly Higher Than Expected.** Management expects the partnership will generate annualized EBITDA of \$62MM (\$15.5MM) excluding the anticipated benefit from announced growth projects. This forecast was slightly higher than our previous Q4 estimate of \$14.4MM and compares to our revised estimate of \$15.6MM. TLLP also provided an update on its organic growth initiatives. In general, the timing, total capital expenditures and anticipated returns remain essentially unchanged [i.e. growth capex budget of \$25MM (versus \$23MM previously) and an average EBITDA multiple of 2.2x (versus 2.1x previously)].

Valuation Range: \$26.00 to \$28.00 from \$25.00 to \$27.00

Our valuation range is based on (1) our three-stage distribution discount model, which assumes a required rate of return of 9% and a long-term growth rate of 1.25%, and (2) a price-to-DCF multiple of 13x our 2012 estimate. Risks to the units trading below our valuation range include a slower-than-forecasted rate of acquisitions, dependence on TSO, and geographic concentration.

Investment Thesis:

TLLP is likely to trade at a premium to other small-cap pipeline MLPs, in our view, given the following factors: (1) it offers investors an attractive way to participate in the anticipated growth in Bakken Shale infrastructure, (2) the partnership's above-average multi-year growth outlook from potential drop-down opportunities and organic growth initiatives, and (3) TLLP's low-risk business model. We forecast a five-year distribution CAGR of 10%, assuming average annual (1) acquisitions of \$100-150 million and (2) growth capex of \$25 million. At least 80% of TLLP's distribution is expected to be tax deferred.

Please see page 7 for rating definitions, important disclosures and required analyst certifications

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Sector: Small Cap Pipeline MLPs
Overweight

Earnings Estimates Revised Up

DCF/unit	2010A	2011E		2012E	
		Curr.	Prior	Curr.	Prior
Q1 (Mar.)	NA	\$0.38 A	NC	\$0.49	NC
Q2 (June)	NA	0.43 A	NC	0.48	NC
Q3 (Sep.)	NA	0.56 A	0.42	0.51	NC
Q4 (Dec.)	NA	0.44	0.42	0.50	NC
FY	NA	\$1.81	1.65	\$1.98	NC
CY	NA	\$1.81		\$1.98	
FY P/DCF	NM	14.3x		13.1x	
Rev.(MM)	NE	\$101		\$120	

Source: Company Data, Wells Fargo Securities, LLC estimates, and Reuters
NA = Not Available, NC = No Change, NE = No Estimate, NM = Not Meaningful
V = Volatile, * = Company is on the Priority Stock List

Ticker	TLLP
Price (11/09/2011)	\$25.89
52-Week Range:	\$21-28
Shares Outstanding: (MM)	30.5
Market Cap.: (MM)	\$789.6
S&P 500:	1,228.32
Avg. Daily Vol.:	44,809
Dividend/Yield:	\$1.40/5.4%
LT Debt: (MM)	\$50.0
LT Debt/Total Cap.:	NM
ROE:	NM
3-5 Yr. Est. Growth Rate:	10.0%
CY 2011 Est. P/DCF/unit-to-Growth:	1.4x
Last Reporting Date:	11/08/2011
	Before Open

Source: Company Data, Wells Fargo Securities, LLC estimates, and Reuters

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Together we'll go far



Company Description:

Tesoro Logistics, L.P. is a publicly traded MLP that owns and operates a crude oil gathering system in the Bakken Shale, eight refined products terminals that primarily serve the Western United States market, and pipeline and storage assets located in Salt Lake City, Utah. The general partner of TLLP is Tesoro Corporation, which is one of the largest independent refiners in the United States.

Other Q3 Takeaways

- TLLP continues to assess drop-down opportunities and plans to provide an update on its growth initiatives during Tesoro Corp.'s (TSO) Analyst and Investor Day on December 5. In addition to potential acquisitions, management is analyzing potential investments to expand TLLP's footprint in the Bakken and further enhance the utilization of its assets. Notably, our model reflects an assumed \$100MM drop-down in Q1'12 at an EBITDA multiple of 10x.
- Crude oil trucking volumes should remain relatively level at approximately 24,000 Bbls/d until 2012. Activity levels in the Bakken is expected to ramp up next year when TLLP's High Plains expansion project is placed into service in Q2'12. Management indicated that there may be an opportunity to grow its trucking business as volumes on TLLP's system pick up.
- TLLP continues its efforts to secure additional outlet connections between the High Plains System and third-party regional pipelines in the Bakken. The partnership could potentially provide additional volumes to feed into the announced expansions of these pipelines.

Q3'11 Results Ahead Of Expectations

TLLP reported Q3'11 total EBITDA of \$17.7MM, beating our estimate of \$14.4MM, consensus of \$15.3MM, and proforma Q2'11 results of \$13.8MM. The variance from our forecast was primarily attributable to higher than expected revenues for both the crude oil gathering and terminalling segments and lower than anticipated operating expenses. DCF/unit was \$0.56, which was also above our estimate of \$0.42 due to Q3 operating results. TLLP raised its distribution for the first time since its IPO to \$0.35 per unit, which was earlier than anticipated and above our forecast of \$0.34. Q3 distribution coverage was strong at 1.6x (or excess cash flow of \$6.3MM). The partnership reported EPU of \$0.49 versus our estimate of \$0.37 and consensus of \$0.44.

Figure 1. TLLP Q3'11 Results Versus Our Estimates

(\$MM, except per unit data)	Q2'11A	Q3'11A	Q3'11E	Var (\$)	Var (%)
Segment EBITDA					
Crude Oil Gathering	\$6.7	\$7.4	\$6.9	\$0.5	(2.0%)
Terminalling, Transportation & Storage	\$8.8	\$11.5	\$8.3	\$3.2	5.9%
Other, net	(\$1.7)	(\$1.1)	(\$0.8)	(\$0.3)	NM
Assumed Drop-Downs	\$0.0	\$0.0	\$0.0	\$0.0	NM
EBITDA	\$13.8	\$17.7	14.4	\$3.4	(3.7%)
(-) Interest Expense	\$0.0	\$0.3	\$0.5	(\$0.2)	(96.8%)
(-) Maintenance Capex	\$0.4	\$0.3	\$1.0	(\$0.7)	(56.4%)
(-) Other	\$0.0	(\$0.0)	\$0.0	(\$0.0)	NM
Available Cash Flow	\$13.4	\$17.2	\$12.9	\$4.3	3.7%
(-) GP Interest	\$0.2	\$0.2	\$0.2	\$0.0	0.0%
Total Distributable Cash Flow	\$13.2	\$17.0	\$12.7	\$4.3	3.8%
DCF / Unit	\$0.43	\$0.56	\$0.42	\$0.1	3.8%
Distribution / Unit	\$0.34	\$0.35	\$0.34	\$0.0	0.0%
Coverage Ratio	1.28x	1.58x	1.23x	NM	NM
Excess Cash Flow	\$2.9	\$6.3	2.4	\$3.9	20.1%
LP Income / Unit (EPU)	\$0.35	\$0.49	\$0.37	\$0.1	(4.4%)
Average Units Outstanding	30.5	30.5	30.5	0.0	0.0%

Source: Partnership reports and Wells Fargo Securities, LLC estimates

Q3 Crude Oil Gathering segment EBITDA was \$7.4MM versus our estimate of \$6.9MM. Revenues exceeded our expectations based on both higher than anticipated throughput and average pipeline revenue per Bbl. Q3

throughput increased 6% sequentially as volumes recovered from weather related disruptions experienced in Q2 (i.e. from 78,929 Bbls/d to 83,409 Bbls/d, compared to our estimate of 80,710 Bbls/d). Average pipeline revenue per Bbl increased from \$1.24 in Q2'11 to \$1.35 in Q3'11 (vs. our estimate of \$1.25), while trucking revenue per barrel increased from \$2.86 in Q2'11 to \$2.90 in Q3'11 (vs. our estimate of \$2.95). The pipeline rate benefitted from a 7% increase (FERC PPI-based adjustment) effective 7/1/11.

Terminalling. Transportation and Storage segment EBITDA was \$11.5MM versus our forecast of \$8.3MM. Segment operating and maintenance expense of \$1.4MM was lower than our estimate of \$3.5MM primarily due to the inclusion of a \$2MM credit for the sale of product collected under TLLP's terminal loss allowance provision. Management anticipates operating expenses will increase sequentially in Q4 based on an anticipated \$1MM decrease in the credit. The impact of higher than anticipated terminalling volumes of 144,997 Bbls/d (compared to our estimate of 134,579 Bbls/d) more than offset slightly lower than forecasted short-haul pipeline throughput (i.e. 69,658 Bbls/d vs. our estimate of 71,395 Bbls/d). Notably, terminalling volumes from third-parties (not TSO) increased sequentially by approximately 1,000 Bbls/d.

TLLP Provides EBITDA Guidance And Project Update

Management expects the partnership will generate annualized EBITDA of \$62MM (\$15.5MM quarterly) excluding the anticipated benefit from announced growth projects. This forecast was slightly higher than our previous Q4 estimate of \$14.4MM and compares to our revised forecast of \$15.6MM.

Figure 2. Annualized EBITDA Guidance

	Our Annualized Q4'11 Ests.	TLLP Annual Run Rate Guidance	Var (\$)	Var (%)
Net Income	\$49.9	\$50.0	(\$0.1)	(0.3%)
Depreciation & Amortization	\$10.1	\$10.0	\$0.1	0.7%
Interest Expense	\$2.4	\$2.0	\$0.4	17.6%
Income tax expense	\$0.0	\$0.0	\$0.0	NM
Other	\$0.0	\$0.0	\$0.0	NM
EBITDA	\$62.3	\$62.0	\$0.3	0.5%

Source: Partnership reports and Wells Fargo Securities, LLC estimates

TLLP also provided an update on its organic growth initiatives. In general, the timing, total capital expenditures and anticipated returns remain essentially unchanged [i.e. growth capex budget of \$25MM (versus \$23MM previously) and an average EBITDA multiple of 2.2x (versus 2.1x previously)].

Figure 3. Identified Growth Capex And Returns

\$ in MM Project	Previous Guidance			Revised Guidance		
	Growth Capex	Projected EBITDA	Completion Date	Growth Capex	Projected EBITDA	Completion Date
High Plains expansion	\$5.0	\$5.0	Q2'12	\$6.0	\$5.0	Q2'12
Rangeland interconnect	\$3.0	\$1.0	Q2'12	\$1.5	\$1.5	Q2'12
Connelly gathering hub	\$5.0	\$0.0	Q2'12	\$4.0	\$0.0	Q1'12
TSO reimbursement	(\$5.0)			(\$4.0)		
Total Crude Oil Gathering Segment	\$8.0	\$6.0		\$7.5	\$6.5	
Ethanol blending	\$3.0	\$1.0	Q2'11-Q1'12	\$4.5	\$1.0	Q2'11-Q1'12
Los Angeles terminal transmix	\$3.0	\$0.5	Q1'12	\$3.0	\$0.5	Q3'12
Stockton terminal storage	\$9.0	\$2.5	Q1'12	\$10.0	\$2.5	Q4'12
Los Angeles terminal permit expansion	\$0.0	\$1.0	Q1'12	\$0.0	\$1.0	Q1'12
Total Terminalling, Transportation and Storage Segment	\$15.0	\$5.0		\$17.5	\$5.0	
Total Growth Capex	\$23.0	\$11.0		\$25.0	\$11.5	
Average EBITDA Multiple	2.1x			2.2x		

Source: Partnership reports

Outlook For 2012

For 2012, we forecast TLLP will generate EBITDA of \$75.4MM, which represents a 28% (\$16MM) improvement over proforma 2011 results. The increase in our cash flow estimates is driven primarily by contributions from an assumed \$100MM drop-down transaction in Q1'12. Our forecast also reflects the benefit

from \$12M of estimated growth capex invested in 2011 and partial year contributions from an assumed \$31MM of growth capex invested in 2012.

Raising 2011 DCF Estimate

We are raising our 2011 DCF per unit estimate to \$1.81 from \$1.65 previously primarily to reflect Q3 results. Our 2011 distribution per unit forecast increases to \$1.39 from \$1.36 based on the higher than anticipated rate declared for Q3. We are also raising our 2012 distribution per unit estimate from \$1.55 to \$1.59, which represents a 14.8% year-over-year increase. There is no change to our 2012 DCF per unit estimate of \$1.98.

Figure 4. Overview Of Changes To Our TLLP Estimates

(\$MM, except per unit data)	New 2011E	Old 2011E	Percent Change	New 2012E	Old 2012E	Percent Change
EBITDA						
Crude Oil Gathering	\$28.1	\$27.2	3.6%	\$32.1	\$31.4	2.4%
Terminalling, Transportation & Storage	\$35.4	\$31.5	12.3%	\$36.5	\$36.9	(1.1%)
Other, net	(\$4.4)	(\$4.1)	8.1%	(\$3.2)	(\$3.2)	0.0%
Assumed Drop-Downs	\$0.0	\$0.0	-	\$10.0	\$10.0	0.0%
Total EBITDA	\$59.1	\$54.6	8.3%	\$75.4	\$75.1	0.5%
(-) Interest Expense	\$0.8	\$1.0	(17.0%)	\$7.1	\$7.1	(1.1%)
(-) Maintenance Capex	\$2.3	\$2.5	(8.6%)	\$6.7	\$6.5	2.2%
(-) Other	(\$0.0)	\$0.0	-	\$0.0	\$0.0	-
Available Cash Flow	\$56.0	\$51.1	9.7%	\$61.7	\$61.4	0.4%
(-) GP Interest	\$0.9	\$0.8	1.8%	\$1.2	\$1.1	10.5%
Total Distributable Cash Flow	\$55.1	\$50.2	9.8%	\$60.5	\$60.3	0.3%
DCF / Unit	\$1.81	\$1.65	9.8%	\$1.98	\$1.98	0.3%
Distribution / Unit	\$1.39	\$1.36	1.8%	\$1.59	\$1.55	2.6%
Coverage Ratio	1.3x	1.2x	-	1.2x	1.3x	-
Excess Cash Flow	\$12.9	\$8.7	47.6%	\$12.0	\$13.0	(8.2%)
Net Income	\$47.9	\$42.9	11.4%	\$53.0	\$52.3	1.2%
LP Income / Unit (EPU)	\$1.54	\$1.38	11.4%	\$1.69	\$1.68	1.0%
Average Units Outstanding	30.5	30.5	0.0%	30.5	30.5	0.0%

Source: Wells Fargo Securities, LLC estimates

Raising Valuation Range To \$26-28 Per Unit

We are raising our valuation range for TLLP by \$1 per unit to \$26-28 to reflect a slightly higher five-year distribution CAGR forecast of 10.0% versus 9.6% previously. Our valuation range is based on: (1) a three-stage distribution discount model assuming a 9% required rate of return and a 1.25% long-term growth rate and (2) a price-to-distributable cash flow multiple of about 13x our 2012 estimate. Risks to TLLP trading in our valuation range include: a slower-than-forecasted rate of acquisitions, dependence on TSO, and geographic concentration.

Figure 5. TLLP Versus Small-Cap Pipeline MLPs

	Current Price	Current Yield	Price/DCF 2011E	Price/DCF 2012E	Distrib. Growth Est. 2012E	3-Year Growth Est.	P/DCF To Growth Ratio
Tesoro Logistics LP	\$26.16	5.4%	14.5x	13.2x	14.8%	13.7%	1.0x
Small Cap Pipeline MLP Median		6.8%	12.3x	10.5x	4.6%	4.7%	2.3x

Source: FactSet and Wells Fargo Securities, LLC estimates

APPENDIX

Figure 6. TLLP Sources & Uses Of Cash In 2011

(\$ in millions)		Q1'11A	Q2'11A	Q3'11A	Q4'11E	2011E
Uses Of Cash	Growth Spending:					
	Acquisition spending	-	-	-	-	-
	Growth capex spending	\$0	-	\$2	\$9	\$12
	Debt Maturities:					
	Long-term debt maturities	-	\$0	-	\$2	\$3
	Total spending	\$0	\$0	\$2	\$11	\$14
Sources Of Cash	Equity Funding:					
	Excess cash flow		\$1	\$3	\$6	\$10
	Secondary equity issuance	-	-	-	-	-
	Cash and other, net	-	(\$49)	\$1	\$8	(\$41)
	Debt Funding:					
	Long-term debt issuance	-	(\$2)	(\$1)	(\$3)	(\$6)
	Credit facility	\$0	\$50	-	-	\$50
	Total financing	\$0	\$0	\$2	\$11	\$14
	Credit Metrics:					
	Amount drawn on credit facility / CP	\$0	\$50	\$50	\$50	\$50
	Utilization	0%	33%	33%	33%	33%
	Liquidity	\$150	\$100	\$100	\$100	\$100
	Debt/EBITDA ratio				0.9x	0.9x

Source: Partnership reports and Wells Fargo Securities, LLC estimates

TESORO LOGISTICS, L.P. (TLLP) - OPERATIONAL SUMMARY

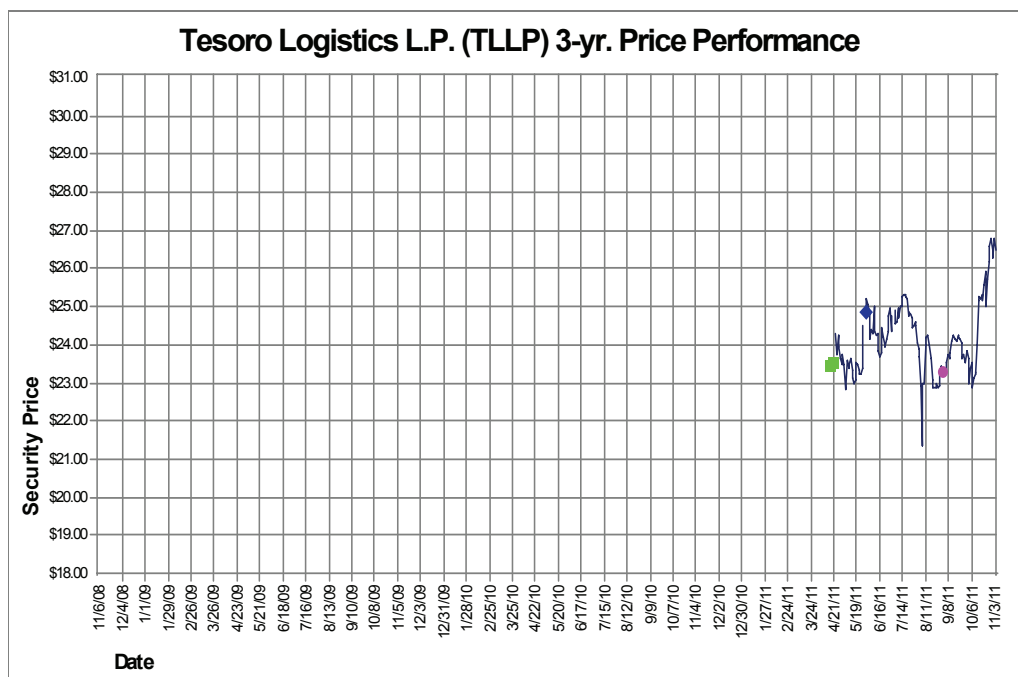
Year ended December 31

(\$ in millions, except for per unit data)

	Q1'11A	Q2'11A	Q3'11A	Q4'11E	PF2011E	Q1'12E	Q2'12E	Q3'12E	Q4'12E	FY2012E	FY2013E	FY2014E	FY2015E	FY2016E
Crude oil pipeline throughput (Bbls/d)	55,301	55,717	59,530	59,530	57,520	59,530	66,597	66,597	66,597	64,830	72,805	76,806	81,607	87,657
Yr/Yr % Change						7.6%	19.5%	11.9%	11.9%	12.7%	12.3%	5.5%	6.3%	7.4%
Trucking volume (Bbls/d)	21,628	23,212	23,879	23,879	23,150	23,879	25,852	25,852	25,852	25,359	27,585	28,702	30,043	31,732
Yr/Yr % Change						10.4%	11.4%	8.3%	8.3%	9.5%	8.8%	4.0%	4.7%	5.6%
Terminal throughput (Bbls/d)	121,546	134,579	144,997	134,852	133,993	134,852	134,852	134,852	134,852	134,852	138,670	138,670	138,670	138,670
Yr/Yr % Change						10.9%	0.2%	-7.0%	0.0%	0.6%	2.8%	0.0%	0.0%	0.0%
Short-haul pipeline throughput (Bbls/d)	62,173	71,395	69,658	69,658	68,221	69,658	69,658	69,658	69,658	69,658	72,007	72,007	72,007	72,007
Yr/Yr % Change						12.0%	-2.4%	0.0%	0.0%	2.1%	3.4%	0.0%	0.0%	0.0%
Storage capacity reserved (Bbls)	878,000	878,000	878,000	878,000	878,000	878,000	878,000	878,000	878,000	878,000	878,000	878,000	878,000	878,000
Yr/Yr % Change						0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
EBITDA By Segment														
Crude oil gathering	6.6	6.7	7.4	7.4	28.1	7.2	7.8	8.6	8.6	32.1	36.9	40.3	43.7	47.1
% of Total	55.4%	48.7%	41.7%	47.3%	47.6%	40.6%	42.3%	43.6%	43.6%	42.6%	39.9%	36.0%	33.2%	31.2%
Terminals, transportation, and storage	6.1	8.8	11.5	9.0	35.4	8.8	8.9	9.4	9.4	36.5	38.9	39.9	41.0	42.0
% of Total	51.3%	63.5%	64.6%	57.8%	59.9%	49.8%	48.4%	47.7%	47.7%	48.4%	42.0%	35.6%	31.2%	27.9%
Other	(0.8)	(1.7)	(1.1)	(0.8)	(4.4)	(0.8)	(0.8)	(0.8)	(0.8)	(3.2)	(3.2)	(3.2)	(3.2)	(3.2)
Assumed Drop-Downs	-	-	-	-	-	2.5	2.5	2.5	2.5	10.0	20.0	35.0	50.0	65.0
% of Total	0.0%	0.0%	0.0%	0.0%	0.0%	14.1%	13.6%	12.7%	12.7%	13.3%	21.6%	31.2%	38.0%	43.1%
Total EBITDA	11.9	13.8	17.7	15.6	59.1	17.7	18.4	19.7	19.7	75.4	92.6	112.0	131.5	150.9
EPU	\$0.30	\$0.35	\$0.49	\$0.40	\$1.54	\$0.43	\$0.41	\$0.43	\$0.43	\$1.69	\$1.80	\$1.84	\$1.83	\$1.84
Average Units Outstanding	30.5	30.5	30.5	30.5	30.5	30.5	30.5	30.5	30.5	30.5	30.7	32.3	34.3	36.2
Distributable Cash Flow (DCF)														
Adjusted EBITDA	11.9	13.8	17.7	15.6	59.1	17.7	18.4	19.7	19.7	75.4	92.6	112.0	131.5	150.9
(-) Interest expense	0.0	0.0	0.3	0.5	0.8	0.8	1.8	2.3	2.3	7.1	14.6	22.2	29.2	36.4
(-) Maintenance capital expenditure	0.1	0.4	0.3	1.5	2.3	1.8	1.6	1.7	1.7	6.7	7.9	9.5	11.2	12.8
(-) Other	-	-	(0.0)	-	(0.0)	-	-	-	-	-	-	-	-	-
Available cash flow	11.8	13.4	17.2	13.6	56.0	15.2	15.0	15.7	15.7	61.7	70.1	80.3	91.0	101.7
General Partner's Interest	0.2	0.2	0.2	0.2	0.9	0.2	0.3	0.3	0.4	1.2	3.2	6.2	10.1	13.6
Distributable Cash Flow	11.6	13.2	17.0	13.4	55.1	15.0	14.8	15.4	15.3	60.5	66.9	74.2	80.9	88.1
DCF Per Unit	\$0.38	\$0.43	\$0.56	\$0.44	\$1.81	\$0.49	\$0.48	\$0.51	\$0.50	\$1.98	\$2.18	\$2.29	\$2.36	\$2.43
Distribution Declared Per Unit	\$0.34	\$0.34	\$0.35	\$0.36	\$1.39	\$0.38	\$0.39	\$0.41	\$0.42	\$1.59	\$1.83	\$2.04	\$2.15	\$2.23
Yr/Yr % Change						11.1%	15.6%	15.7%	16.7%	14.8%	15.1%	11.2%	5.7%	3.7%
Distribution Coverage	1.13x	1.28x	1.58x	1.21x	1.30x	1.30x	1.24x	1.24x	1.19x	1.24x	1.17x	1.11x	1.08x	1.07x
Excess Cash Flow (Deficit)	1.3	2.9	6.3	2.4	12.9	3.5	2.9	3.1	2.5	12.0	10.4	7.8	6.6	6.9
% of Total Cash Distribution														
General Partner	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.1%	2.6%	3.1%	2.5%	5.3%	8.5%	12.0%	14.3%
Limited Partners	98.0%	98.0%	98.0%	98.0%	98.0%	98.0%	97.9%	97.4%	96.9%	97.5%	94.7%	91.5%	88.0%	85.7%
Capital Expenditures														
Acquisition Capex	-	-	-	-	-	100.0	-	-	-	100.0	100.0	150.0	150.0	150.0
Growth Capex	0.4	-	2.1	9.1	11.6	11.1	8.0	6.5	5.7	31.4	25.0	25.0	25.0	25.0
Maintenance Capex	0.1	0.4	0.3	1.5	2.3	1.8	1.6	1.7	1.7	6.7	7.9	9.5	11.2	12.8
Total Capex	0.5	0.4	2.3	10.6	13.9	112.9	9.6	8.2	7.4	138.1	132.9	184.5	186.2	187.8
Credit Metrics														
Equity Issuances	-	-	-	-	-	-	-	-	-	-	50	75	75	75
Total Debt	50	50	50	53	53	162	166	170	172	172	236	328	421	514
TTM EBITDA	-	-	-	59	59	65	69	71	75	75	93	112	131	151
(+) adjustments	-	-	-	-	-	9	8	6	5	5	4	4	4	4
Pro forma TTM EBITDA	-	-	-	59	59	74	77	78	81	81	97	116	136	155
Debt/EBITDA (TTM)	-	-	-	0.9x	0.9x	2.5x	2.4x	2.4x	2.3x	2.3x	2.6x	2.9x	3.2x	3.4x
Pro forma Debt/EBITDA (TTM)	-	-	-	0.9x	0.9x	2.2x	2.2x	2.2x	2.1x	2.1x	2.4x	2.8x	3.1x	3.3x
Debt/annualized EBITDA	1.0x	0.9x	0.7x	0.8x	-	2.3x	2.3x	2.2x	2.2x	-	-	-	-	-
EBITDA/Interest Expense (TTM)	-	-	-	71.0x	71.0x	41.4x	20.8x	13.5x	10.7x	10.7x	6.3x	5.1x	4.5x	4.1x
EBITDA/Interest Expense	796.5x	912.8x	56.5x	31.9x	71.0x	23.6x	10.3x	8.7x	8.7x	10.7x	6.3x	5.1x	4.5x	4.1x
Maintenance capex as % of EBITDA	1%	3%	1%	10%	4%	10%	9%	9%	9%	9%	9%	9%	9%	9%

Source: Partnership reports and Wells Fargo Securities, LLC estimates

Required Disclosures



	Date	Publication Price (\$)	Rating Code	Val. Rng. Low	Val. Rng. High	Close Price (\$)
□	4/20/2011		IPO at \$21.00			
	5/31/2011		Lui			
◆	5/31/2011	24.49	1	26.00	28.00	24.84
●	9/1/2011	23.44	1	25.00	27.00	23.30

Source: Wells Fargo Securities, LLC estimates and Reuters data

Symbol Key

▼ Rating Downgrade	◆ Initiation, Resumption, Drop or Suspend
▲ Rating Upgrade	■ Analyst Change
● Valuation Range Change	□ Split Adjustment

Rating Code Key

1 Outperform/Buy	SR Suspended
2 Market Perform/Hold	NR Not Rated
3 Underperform/Sell	NE No Estimate

Additional Information Available Upon Request

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As of: November 10, 2011

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