

**CAPITALIZATION RATE STUDY  
FOR CENTRALLY ASSESSED PROPERTIES**

**FOR: JANUARY 1, 2010**

**UTAH STATE TAX COMMISSION**

PROPERTY TAX DIVISION  
NATURAL RESOURCE SECTION

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# Natural Resource Section 2010 Capitalization Rates

Market Risk Premium	6.70%
Risk Free Rate	4.58%

<b>Coal</b>				
		Rate	Weighting	Weighted Rate
Dividend Growth Model		9.37%	15%	1.41%
Capital Asset Pricing Model (beta)	1.71	16.07%	50%	8.04%
Risk Premium Model (Fin. Strength)	0.95	10.97%	35%	3.84%
Equity Rate				13.28%
Industry Debt Rate (Ba2)				7.24%
		Rate	Capital Structure	Weighted Rate
Equity Rate		13.28%	80%	10.62%
Debt Rate		7.24%	20%	1.45%
Weighted Average Cost of Capital Before Tax				12.07%

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# Natural Resource Section 2010 Capitalization Rates

Market Risk Premium	6.70%
Risk Free Rate	4.58%

<b>Utah Cement &amp; Aggregates Industry</b>				
		Rate	Weighting	Weighted Rate
Dividend Growth Model		1.01%	0%	0.00%
Capital Asset Pricing Model (beta)	1.40	13.98%	55%	7.69%
Risk Premium Model (Fin. Strength)	1.02	11.43%	45%	5.14%
Equity Rate				12.83%
Industry Debt Rate (Ba2)				7.24%
		Rate	Capital Structure	Tax Adj.
Equity Rate		12.83%	70%	61.75%
Debt Rate		7.24%	30%	2.17%
Weighted Average Cost of Capital After Tax				16.72%

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# Natural Resource Section 2010 Capitalization Rates

Market Risk Premium	6.70%
Risk Free Rate	4.58%

<b>Non-Metal Mining (Mining General)</b>					
		Rate	Weighting	Weighted Rate	
Dividend Growth Model		11.02%	5%	0.55%	
Capital Asset Pricing Model (beta)	1.44	14.27%	55%	7.85%	
Risk Premium Model (Fin. Strength)	1.02	11.43%	40%	4.57%	
Equity Rate				12.97%	
Industry Debt Rate (Ba2)				6.26%	
		Rate	Capital Structure	Weighted Rate	
Equity Rate		12.97%	75%	9.73%	
Debt Rate		6.26%	25%	1.57%	
Weighted Average Cost of Capital Before Tax				11.29%	
		Rate	Capital Structure	Tax Adj.	Weighted Rate
Equity Rate		12.97%	75%	61.75%	15.75%
Debt Rate		6.26%	25%		1.57%
Weighted Average Cost of Capital After Tax					17.32%

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# Natural Resource Section 2010 Capitalization Rates

Market Risk Premium	6.70%
Risk Free Rate	4.58%

<b>Metal Mining</b>				
		Rate	Weighting	Weighted Rate
Dividend Growth Model		4.38%	0%	0.00%
Capital Asset Pricing Model (beta)	1.61	15.36%	60%	9.22%
Risk Premium Model (Fin. Strength)	0.94	10.89%	40%	4.36%
Equity Rate				13.57%
Industry Debt Rate (Ba2)				0.00%
		Rate	Capital Structure	Weighted Rate
Equity Rate		13.57%	90%	12.21%
Debt Rate		7.24%	10%	0.72%
Weighted Average Cost of Capital Before Tax				12.94%

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# Natural Resource Section 2010 Capitalization Rates

Market Risk Premium	6.70%
Risk Free Rate	4.58%

<b>Precious Metals</b>				
		Rate	Weighting	Weighted Rate
Dividend Growth Model		8.70%	5%	0.44%
Capital Asset Pricing Model (beta)	1.28	13.18%	60%	7.91%
Risk Premium Model (Fin. Strength)	1.05	11.58%	35%	4.05%
Equity Rate				12.40%
Industry Debt Rate (Ba2)				0.00%
		Rate	Capital Structure	Weighted Rate
Equity Rate		12.40%	90%	11.16%
Debt Rate		6.37%	10%	0.64%
Weighted Average Cost of Capital				11.79%

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# Natural Resource Section 2010 Capitalization Rates

Market Risk Premium	6.70%
Risk Free Rate	4.58%

<b>Oil &amp; Gas</b>				
		Rate	Weighting	Weighted Rate
Dividend Growth Model		10.06%	0%	0.00%
Capital Asset Pricing Model (beta)	1.65	15.66%	60%	9.40%
Risk Premium Model (Fin. Strength)	1.19	12.55%	40%	5.02%
Equity Rate				14.42%
Industry Debt Rate (Ba2)				7.57%
		Rate	Capital Structure	Weighted Rate
Equity Rate		14.42%	70%	10.09%
Debt Rate		7.57%	30%	2.27%
Weighted Average Cost of Capital				12.36%

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