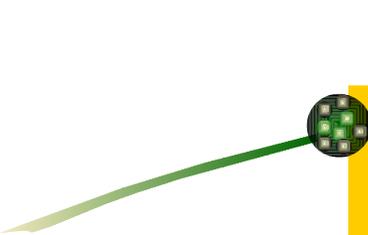


State Assessed Valuation

Chapter 2 of Title 59 Revenue and Taxation

59-2-103 All tangible taxable property located within the state shall be assessed and taxed at a uniform and equal rate on the basis of its fair market value, as valued on January 1, unless otherwise provided by law.

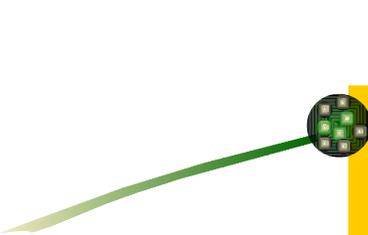


State Assessed Valuation

59-2-201 Assessment by commission

By May 1 of each year the following property, unless otherwise exempt under the Utah Constitution or under Part 11, Exemptions, Deferrals, and Abatements, shall be assessed by the commission at 100% of fair market value, as valued on January 1, in accordance with this chapter:

- (a) ...all property which operates as a unit across county lines...
- (b) all property of public utilities;
- (3) all operating property of an airline, air charter service, and air contract service;
- (d) all geothermal fluids and geothermal resources
- (e) all mines and mining claims....
- (f) all machinery used in mining, all property or surface improvements upon or appurtenant to mines or mining claims.



State Assessed Valuation

Administrative Rules

R884-24P-7 Mining Properties

R884-24P-10 Underground Rights in Land that contains deposits of Oil & Gas

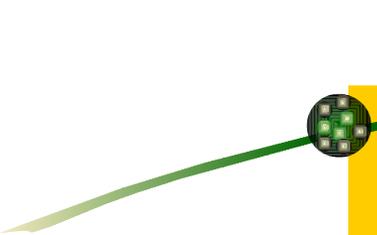
R884-24P-19 Appraiser Designation Program

R884-24P-20 Construction Work in Progress

R884-24P-49 Utah apportioned value of a rail car fleet

R884-24P-50 Apportioning the Utah Proportion of Commercial aircraft valuations

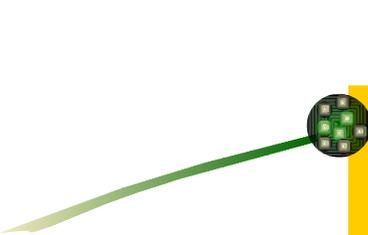
R884-24P-62 State assessed unitary properties



State Assessed Valuation

Centrally Assessed Property Time Table

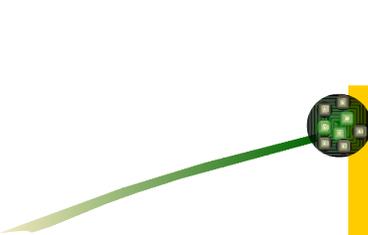
31-Dec	Returns of Assessment and Annual Reports mailed to centrally assessed companies
1-Jan	Statutory lien date
1-Mar	Deadline for centrally assessed companies to file Returns of Assessment and Annual Reports with the Tax Commission
1-May	Statutory assessment date. Notice of Assessment mailed to centrally assessed property owners and county totals sent to counties.
Before May 25	Deadline for Commission to apportion assessments to the taxing areas
1-Jun	Official Assessment Books delivered to county auditors
1-Jun	Last day for counties for centrally assessed companies or counties to appeal assessment.
15-Jun	The Commission sends a list of pending appeals to county auditors
30-Nov	Tax payment date



State Assessed Valuation

Public Utilities

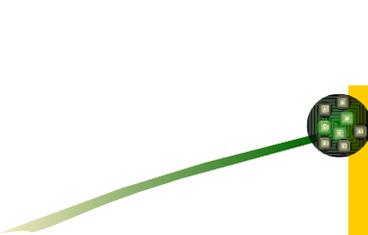
- Unitary Assessments
- Unit Valuation
- Appropriate Unit
- Allocated to States (Utah)
- Apportioned to tax areas in counties



State Assessed Valuation

Natural Resources

- Property Assessments
- Asset Valuation (including producing mineral reserves)
- Property Specific for allocation to tax areas



State Assessed Valuation

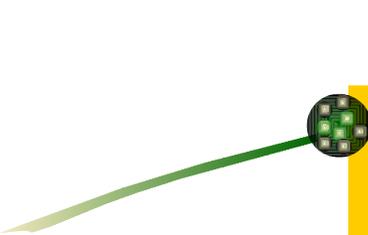
- **Compliance Audits**

- **Appeals**



State Assessed Valuation

Fair Market Value as of
the lien date



State Assessed Valuation

▪ Cost Approach

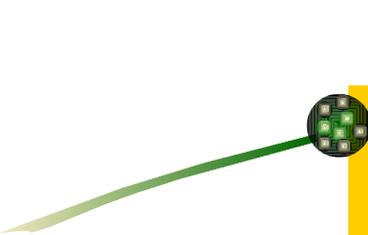
- Relatively stable indicator, useful for allocation, simple to obtain and verify.
- Best for newer properties
- Weak when property is old or when significant technological or economic changes

▪ Income Approach

- From a theoretical standpoint, the present worth of future benefits is infallible.
- From a practical standpoint, it contains many subjective estimates.

▪ Market Approach (When applicable)

- Very few sales of public utilities
- Very difficult to find comparable companies



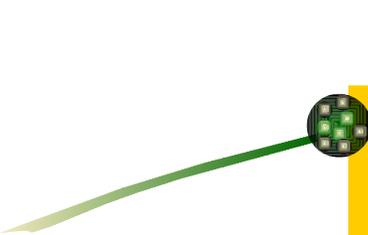
State Assessed Valuation

Reconciliation

- Analysis of the results of the various approaches to value to arrive at the final value conclusion
- Quality of the components of each indicator
- Appraisers judgment

Remove non-taxable or assets taxed elsewhere :

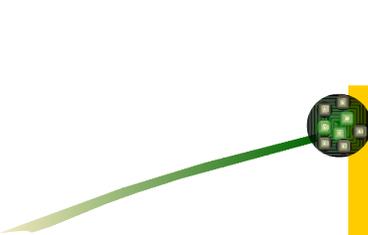
intangibles, licensed vehicles, leased assets etc.



State Assessed Valuation

Allocation of Unitary Value to States

- Process of assigning a portion of a unit value of an interstate public utility to a state.
- Allocation should reasonably reflect the property value contained in each state
- Property factors: property cost, miles of wire, miles of pipe, miles of track, miles of cable, etc
- Use factors: kilowatt hours sold or generated, ton miles, ground hours etc.
- Revenue factors: gross revenues, operating revenues, net operating income etc.
- Combination of two or more.



State Assessed Valuation

Apportionment of State Value

- Process of assigning a portion of a state value of an interstate public utility to the taxing areas in counties.
- Original cost of assets located in taxing area.

State Assessed Valuation

System Value				Assessed Value	
10,000,000					
Invst		Invst			
4,000,000	State 1	1,500,000	County 1	2,142,857	
57.14%		2,500,000	County 2	3,571,429	
3,000,000	State 2	2,000,000	County 1	2,857,143	
42.86%		1,000,000	County 2	1,428,571	
<u>7,000,000</u>		<u>7,000,000</u>		<u>10,000,000</u>	

State Assessed Valuation

System Value				Assessed Value	
9,200,000					
<u>Invst</u>		<u>Invst</u>			
4,000,000	State 1	1,500,000	County 1	1,943,662	
56.34%		2,500,000	County 2	3,239,437	
3,100,000	State 2	2,000,000	County 1	2,591,549	
43.66%		1,100,000	County 2	1,425,352	
<u>7,100,000</u>		<u>7,100,000</u>		<u>9,200,000</u>	



State Assessed Valuation

State Assessed by Industry

		2008	2007	Difference	
<u>Natural Resource</u>					
Oil & Gas	165	4,310,594,930	3,488,446,070		
Metalliferous Mining	803	2,984,757,656	2,246,520,353		
Non-Metalliferous Mining	219	474,319,999	386,135,370		
Coal	53	463,887,647	457,819,852		
Sand & Gravel	323	351,529,321	278,325,242		
	1563	8,585,091,561	6,857,248,894	1,727,842,667	25%
<u>Public Utility</u>					
Power	16	4,853,008,898	4,635,576,372		
Telecommunications	45	2,020,089,520	1,844,306,155		
Pipeline	12	1,463,634,120	1,309,377,780		
Air Line	37	1,207,557,186	1,218,627,240		
Gas Utility	1	592,368,290	542,122,500		
Railroad & Terminal	5	293,299,160	389,178,130		
Rail Car	1	101,148,569	97,541,414		
Ground Access	1	2,832,173	2,929,431		
	118	10,533,937,916	10,039,659,022	494,278,894	5%

State Assessment by County

	2008	Three Highest State Assessed Industries in County		
Salt Lake	6,200,403,063	Metalliferous Mining	Airline	Telecom
Uintah	2,419,517,256	Oil & Gas	Pipeline	Power
Carbon	1,496,247,404	Oil & Gas	Coal	Pipeline
Emery	1,430,274,759	Power	Oil & Gas	Coal
Millard	1,353,964,157	Power	Pipeline	Non-Metalliferous Mining
Utah	907,065,750	Power	Telecom	Pipeline
Duchesne	619,639,699	Oil & Gas	Power	Telecom
Washington	495,938,607	Airline	Pipeline	Power
San Juan	490,142,909	Oil & Gas	Metalliferous Mining	Pipeline
Summit	399,579,506	Oil & Gas	Pipeline	Power
Davis	372,610,692	Telecom	Power	Gas Utility
Weber	370,819,346	Power	Telecom	Non-Metalliferous Mining
Juab	322,799,218	Power	Pipeline	Telecom
Box Elder	312,845,080	Power	Sand & Gravel	Telecom
Sevier	308,201,268	Coal	Oil & Gas	Power
Tooele	274,422,490	Power	Non-Metalliferous Mining	Telecom
Iron	235,650,590	Pipeline	Power	Telecom
Grand	235,285,838	Oil & Gas	Pipeline	Non-Metalliferous Mining
Beaver	188,284,394	Power	Pipeline	Non-Metalliferous Mining
Cache	133,868,238	Power	Telecom	Gas Utility
Garfield	129,577,920	Metalliferous Mining	Oil & Gas	Power
Daggett	105,499,540	Pipeline	Non-Metalliferous Mining	Telecom
Morgan	92,824,570	Pipeline	Telecom	Power
Wasatch	65,588,137	Power	Telecom	Sand & Gravel
Sanpete	61,389,105	Power	Telecom	Gas Utility
Rich	45,808,019	Pipeline	Power	Telecom

30 Largest State Assessed Taxpayers		2007	2008	
1	PACIFICORP	3,098,085,600	3,398,862,350	20.2%
2	KENNECOTT UTAH COPPER CORP.	2,105,291,435	2,779,564,471	16.5%
3	INTERMOUNTAIN POWER AGENCY	1,124,998,602	1,085,021,145	6.5%
4	QWEST CORP	771,448,150	911,796,920	5.4%
5	KERN RIVER GAS TRANS CO	758,148,370	707,933,130	4.2%
6	CONOCOPHILLIPS COMPANY	601,322,143	608,775,909	3.6%
7	QUESTAR GAS	542,122,500	592,368,290	3.5%
8	KERR-MCGEE OIL & GAS ONSHORE LP	367,041,576	590,800,134	3.5%
9	WESTPORT FIELD SERVICES LLC	116,871,984	392,639,299	2.3%
10	SKY WEST AIRLINES INC	480,021,300	392,635,040	2.3%
11	DELTA AIR LINES INC	345,985,900	389,710,200	2.3%
12	NEWFIELD PRODUCTION COMPANY	285,366,634	308,565,191	1.8%
13	QUESTAR PIPELINES	253,448,000	303,981,910	1.8%
14	VERIZON WIRELESS	243,442,250	274,860,770	1.6%
15	ANADARKO PETROLEUM CORP	225,025,989	253,871,967	1.5%
16	UNION PACIFIC RAILROAD CO	331,951,680	250,277,550	1.5%
17	QUESTAR EXPLORATION & PRODUCTION CO	228,280,362	239,036,613	1.4%
18	DESERET GENERATION /TRANS COOP	270,029,270	234,736,260	1.4%
19	RESOLUTE NATURAL RESOURCES CO	173,792,930	228,661,680	1.4%
20	BILL BARRETT CORPORATION	100,593,033	175,429,134	1.0%
21	EOG RESOURCES INC	200,311,271	164,574,898	1.0%
22	XTO ENERGY INC	66,005,016	158,907,249	0.9%
23	CANYON FUEL COMPANY LLC SUFCO 35	132,712,276	134,720,106	0.8%
24	STAKER & PARSON COMPANIES	92,489,894	121,837,990	0.7%
25	SOUTHWEST AIRLINES	91,644,040	118,796,410	0.7%
26	BERRY PETROLEUM COMPANY	81,673,248	117,088,684	0.7%
27	AT & T MOBILITY LLC FKA CINGULAR WIRELESS LLC	111,942,000	108,844,450	0.6%
28	NORTHWEST PIPELINE CORP	97,255,920	106,483,680	0.6%
29	QUESTAR GAS MANAGEMENT (GATHERING)	62,339,536	104,116,588	0.6%
30	RAILCAR ROLLING STOCK (COLL BY TAX COMM)	97,541,414	101,148,569	0.6%
			16,801,623,025	91.4%



State Assessed Values

