

President's Message

Aaron Smith, SDP President

Greetings,

Where has the first half of 2014 gone? I hope all of you are doing well and making plans to attend the annual conference and training in New Orleans this September. See more details in this newsletter and visit our website, www.depr.org, to register.

I'm happy to report after several board meetings we are making strides to ensure the Society has a stable and lasting future. This began with the creation of our new website, but we want to make sure it does not stop there. We are investigating ways to offer additional member benefits so everyone gets the most out of being a member of SDP. Year to date our membership has risen over 40%, so I look forward to seeing old friends and making new ones at the conference.

Finally, I want to ask for your help with improving SDP. Please consider doing one or more of the following:

- Recommend SDP to your peers that would have an interest or benefit from our conference and training,
- Send me (or another board member) any ideas on how the Society could better serve its members,
- Volunteer to work on a committee to put those ideas into action.

Thank you for your continued support of the Society of Depreciation Professionals, and I'll see you in the Big Easy.

Sincerely,
Aaron Smith
president@depr.org

28th Annual Conference and Training September 14 – September 19, 2014 Hotel Monteleone New Orleans, LA.



New Orleans Fun Facts

How did New Orleans get dubbed “The Big Easy?” The city’s official name comes from the city of Orleans, in France, itself named after Phillippe Duc D’Orleans. Locals attribute the widespread use of the nickname The Big Easy to the late Betty Guillaud, a gossip columnist from the *Times-Picayune*. They say that Guillaud used the term first in the early 1970s to compare life in New York City—the Big Apple—to life in New Orleans—The Big Easy.

Another nickname for New Orleans is the Crescent City. That name comes from the course the Mississippi River takes as it winds through the city.

The first sign that you are a tourist is if you pronounce New Orleans as N’awlins. People from other parts of the country hear N’awlins from listening to locals’ speech. Locals say New Awlins. If you say New Or-leans, or N’awlins, you are giving yourself away as a tourist.

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**Annual Conference and Training
September 14 – September 19, 2014
New Orleans, LA.**

Look for more information in 2014 at:
www.depr.org



French Quarter, New Orleans, LA

Levees and Canals

Because New Orleans was completely surrounded by swamps and marshes (with a sea level of approximately six feet at its highest point), residents built levees, or earth embankments, to protect the city from the Mississippi River level's spring rise and hurricane tidal surges. The city's low sea level location also explains the ground level "basements" found in most of the New Orleans area's old structures. To this day, massive pumps and canals drain the city, as annual rainfall can be between 60" and 100".

Canal Street, once the widest street in the world, was named for a canal that was planned for, but never built, on the street's dividing median. For decades, the median's only use was public transportation, mostly by the Canal Street streetcars.

2014 Annual Conference

From the Vice-President
Bob Kelly, Southwest Water Company

Mark your calendars for the 2014 Annual Conference and Training to be held at the Hotel Monteleone in New Orleans in the heart of the French Quarter on Royal Street, September 14 – 19. Nearby there are shops featuring fabulous European antiques, estate jewelry, Oriental rugs, and art and antiquities from around the world.. Don't forget quaint restaurants and specialty shops lining the cobblestone French Quarter streets.

On Sunday, you will enjoy a 5:30 – 7:30 PM Welcome and Gathering Reception

The Annual Meeting will get underway with the opening session on Monday extending through noon on Tuesday. Numerous outstanding presentations are planned, including an insider's account of the permanent retirement of Southern California Edison's San Onofre Nuclear Generating Station and the challenging cost recovery issues involved in that closure. The conference organizer, Bob Kelly, has predictably sprinkled the agenda with several water-related topics. But there is something here for everyone: contrasting accounts by AEP and SCE concerning each utility's handling of retirements of aging generating stations; a summary by American Waterworks of the immensely successful Distribution System Improvement Charge which began in water and has now proliferated to wastewater, electric and gas; a summary by Brattle Group of a major report on alternative regulation and ratemaking approaches for water companies; a presentation on the theoretical reserve; and an presentation "Can Water Defy Jevons Paradox?" recently extremely well received at a meeting of NARUC's Finance and Accounting Committee. And not to forget the concluding, always entertaining and informative, Accounting Update by Dr. John Lacey.

Details of speakers can be found on pages 6 and 7 of the newsletter or the SDP website, depr.org. ❖



SCE's San Onofre Nuclear Generating Station,
2012



Because New Orleans is built on a swamp, the deceased are buried above ground in elaborate stone crypts and mausoleums. Over time the cemeteries, with elaborate sculptures and other decorative artwork embellishing the tombs, have come to resemble small villages. They are known by the nickname "Cities of the Dead." One of the best examples of these villages is the cemetery adjacent to St. Louis Cathedral in the French Quarter.

SDP TRAINING

Dr. Susan Jensen, CDP, Training Chair

We encourage you to take advantage of the exceptional training offered before and after the conference. Trainees consistently give SDP training high praise for the excellent courses taught by recognized leaders in the field of depreciation. In fact, **96% of responses to our course evaluations rate our courses “good” or “excellent”**.

New this year, in the **Depreciation Fundamentals** course we offer a class addressing reserve imbalances and true-up. And in the course **Analyzing the Life of Real-World Property**, we again include the popular class on engineering aspects of life analysis.

Our expert faculty have extensive experience that they gladly share with you in courses with real-world applications. Trainees report that the skills acquired in the SDP courses are readily transferable to one’s job, and the information learned is useful in taking the CDP exam. As an added benefit, after the classes end each day, trainees and instructors gather at informal receptions that provide valuable networking opportunities.

As shown below, we have training to fit your needs and schedule, from the 1-day course before the SDP Conference to the 4-day courses offered concurrently after the Conference.

2014 SDP Training

- *Sunday Training – Introduction to Depreciation (5.5 CPEs)*

This exceptional overview course begins with a discussion of the importance of depreciation and the complications inherent in estimating depreciation expense. Included are segments on accounting for group depreciation, life and salvage analysis, and annual and accumulated depreciation calculations. These are also most of the areas included on the CDP Exam. The course

is intended for professionals involved in preparing depreciation studies as well as managers wanting an overview of the segments of a depreciation study.

- *Extended Training -- Depreciation Fundamentals (22 CPEs)*

This course includes classes in *Plant and Depreciation Accounting, IFRS, Data Requirements and Collection, Simulation Life Analysis, Actuarial Life Analysis, Salvage and Cost of Removal Analysis, Depreciation Models, Reserve Imbalances and True-up, Life Cycle Analysis, and Technology Forecasting*. This excellent course is often repeated by those wanting additional study on select topics or additional prep for the CDP exam.

- *Extended Training – Life and Net Salvage Analysis (22 CPEs)*

This course examines *Actuarial* and *Simulation* life analysis models. The models are applied to several data sets and the results are interpreted. Pitfalls of the models are also discussed. The course also includes classes in *Gross Salvage, Cost of Removal, Life Cycle Analysis, Technology Forecasting, FAS 143, and IFRS*. And in the class *Evaluation of a Depreciation Study*, you learn how to get behind the numbers developed in a depreciation study.

Prerequisite: *Depreciation Fundamentals* or permission from Dr. Susan Jensen based on your qualifying experience or courses.

- *Extended Training – Analyzing the Life of Real-World Property (22 CPEs)*

This course was offered for the first time last year to very positive reviews by participants. This course provides valuable experience in applying life analysis models to real-world property data. After a brief review of life analysis models, the course proceeds to apply these models to real-world property data.

Training Continued from Page 4

Trainers provide valuable insights in how to interpret the results of the models as they are applied in the classes to actual property accounts. The course also includes a class in which you examine the engineering reasons that cause assets to fail or be replaced. The course ends with a segment on getting behind the numbers developed in a depreciation study. *This course may be repeated, and taken before or after the course below, for valuable case study practice and preparation for the life analyses you perform or review at work.*

Prerequisite: *Depreciation Fundamentals* or permission from Dr. Susan Jensen based on your qualifying experience or courses.

- ***Extended Training -- Preparing and Supporting a Depreciation Study (22 CPEs)***

This capstone course is intended for depreciation professionals who have a direct role in depreciation studies as well as managers seeking an overview of the depreciation study process. The course begins with a brief review of life and salvage analysis and depreciation models. The course then focuses on developing life and salvage estimates, preparing the depreciation study report, and supporting the study. Trainees are given an opportunity to role play as a witness or provide support to the witness.

Prerequisites: *Depreciation Fundamentals* and either *Life and Net Salvage Analysis* or *Analyzing the Life of Real-World Property* or permission from Dr. Susan Jensen based on your qualifying experience or courses.

Additional information about each course is available on our website www.depr.org. We look forward to seeing you in September! ❖

The French Quarter was built by the Spanish

Two devastating fires ravaged New Orleans in 1788 and 1794. Most of the area now known as the French Quarter was destroyed. The Spanish were to replace the wooden buildings with structures with courtyards, thick brick walls, arcades, and wrought iron balconies. Among the new buildings were the signature New Orleans buildings of St. Louis Cathedral (1794), the Cabildo (1799), and the Presbytere (1797), all designed by Gilberto Guillemarde.



St. Louis Cathedral



The Cabildo

CONFERENCE ANNOUNCED SPEAKERS

An Insider's Account Of The Permanent Retirement Of SCE's San Onofre Nuclear Generating Station (SONGS)

Rick Fisher, CDP, Capital Asset Accounting Manager, Southern California Edison

After replacing the steam generators in 2009 and 2010 (Units 2 and 3), both reactors were shut down in January 2012 due to wear found on over 3,000 tubes. After an extended outage and ongoing efforts to pursue a safe restart, SCE announced on June 7, 2013 that it would "permanently retire" Unit 2 and Unit 3, citing "continuing uncertainty about when or if SONGS might return to service" and noting that ongoing regulatory and "administrative processes and appeals" would likely cause any tentative restart plans to be delayed for "more than a year." Mr. Fisher will provide an update on the status of the California Public Utilities Commission's Investigation as well as his experience working through the accounting and cost recovery implications.

Accounting For The Retirement Of Steam Generating Stations

Mike Baird, CPA, Director of Accounting Policy and Research, American Electric Power

Accounting for the retirement of steam generation stations is hot topic in energy utilities. EPA regulations and cost compliance have caused many utilities to retire steam generating stations earlier than projected. Mr. Baird will give a personal account of AEP's handling of these retirements. With AEP's presence across multiple jurisdictions, Mr. Baird will describe various ways this issue has been addressed.

Big Creek Hydro Facility

Richard Bennett, CDP, Manager, Capital Asset Accounting, Southern California Edison

Special capital recovery issues surround capital intensive power plants that are aging. Mr. Bennett will give a first-hand account of SCE's handling of one such plant.

Distribution System Improvement Charge

Dave Weber, Manager of Rates And Regulatory Policy, American Waterworks Company

The Distribution System Improvement Charge, first introduced in Pennsylvania in 1996, has succeeded badly needed plant improvements and reduced the pace of costly rate filings. Mr. Weber will report on American Waterworks' experience with the DSIC.

Alternative Regulation and Ratemaking Approaches for Water Companies

Bente Villadsen, Ph.D., Principal, The Brattle Group

In 2013 the National Association of Water Companies sponsored a report surveying policies that state regulators across the U.S. have developed to meet challenges facing the utilities they regulate. Dr. Villadsen was instrumental in preparing the report which shows that the electric and natural gas delivery industries have in place a larger number and a greater variety of alternative regulation policies compared to the water industry. The water industry has made recent progress in innovative ways to recover capital investments in their distribution systems.

Can Water Defy Jevons Paradox? Findings and Implications for Sustainable Utility Systems

Janice A. Beecher, Ph.D., Institute of Public Utilities, Michigan State University

The Jevons Effect is the proposition that as technology progresses, the increase in efficiency with which a resource is used tends to increase (rather than decrease) the rate of consumption of that resource. Is the Jevons effect commonly used in the energy industry transferable to water? Dr. Beecher compares electricity, gas and water production over the last 60 years and draws some possibly noteworthy conclusions about falling water use.

**CONFERENCE SPEAKERS CONTINUED
FROM PAGE 6**

The Theoretical Reserve

Daniel Birkam, CPA, CDP, Auditing Specialist:
Utility Depreciation, Michigan Public Service
Commission

Mr. Birkam has testified extensively on the
calculated accumulated depreciation, commonly
known as the theoretical reserve. Mr. Birkam will
give provide insight from actual application of the
theoretical reserve in Michigan.

Accounting Update

Dr. John Lacey, Professor of Accountancy,
California State University

Dr. Lacey's entertaining annual update of activities
by the FASB, IASB, and other accounting
committees. Includes his expert interpretation-in
layman terms-of what it all means and the impacts
to finance and accounting professionals.



St. Charles Avenue is a brief trolley ride from the
central business district to tour beautiful historic
homes.

From Karen DeDonato, Executive Director

We have had a very exciting year transitioning
SDP to a new website and membership
program. We hope you will take a moment to
“check it out” at: www.depr.org

NOW is the time to renew your SDP
membership for the 2015 year. [Click here](#) to log
in and renew your membership and be eligible to
receive membership pricing on the 2014
conference and training fees.

Please note, registration for the 2014 Annual
Conference & Training is now open! [Click here](#)
for details!

We hope you have a relaxing and enjoyable
summer...and hope to see YOU in N'awlins!

We wish to thank our 2013 Annual Meeting and
Training Sponsors for their generous donations.
We invite our past sponsors and all members to
consider sponsoring our 2014 Conference &
Training. [Click Here](#) to become a sponsor! All
sponsors for 2013 were at the Platinum Level.



Excellence Delivered As Promised



Questions For the Society:

Please address future questions to
admin@depr.org inclusion in the newsletter or
on the SDP website.