

## Greetings from your SDP Board!

Planning is well underway for the 2012 Annual Meeting and Training. We are moving our conference location north this year to the beautiful city of Minneapolis, Minnesota and sincerely hope you will be joining us for insightful presentations, discussions and training opportunities; all with industry experts.

The annual conference provides depreciation professionals a unique opportunity to network with other depreciation professionals and hear leaders in the field of depreciation discuss current trends.

Dave Davis, will be the chair of the 2012 Annual Meeting Committee. The Annual Meeting will begin with an evening reception on Sunday, September 16th, and continue through noon, Tuesday, September 18th.

Our renowned SDP training ranges from an overview of depreciation basics to life and salvage analysis courses with real-world applications to preparing and defending a depreciation study.

Dr. Susan Jensen, CDP, will again coordinate the SDP Training classes. In addition to the half-day Introduction to Depreciation (Sunday Training) course, held during the afternoon preceding the Sunday reception, regular training classes will begin at 1:00 pm on Tuesday, September 18th, and continue through noon on Friday, September 21.

As the Annual Meeting and Training agenda develops, you will find details posted on the SDP website: [www.depr.org](http://www.depr.org)

## Message from Executive Director - Jaffe Management

Spring is here and the weather is changing and getting better around the country; and some great changes are coming to the SDP in the next month or two as well.

### Technology

As I reported in late 2011, the Society is currently working on a revamp of its website, with a new updated look, information that is easier to find and more consistent updates. In addition, we are moving to an online membership and registration system. This will streamline the process of registration for members and guests and also allow for everyone to have a unique User ID and Password to access the site. The new website has a targeted launch for the beginning of June, just in time for registration for the 2011 Conference and Training.

### Membership

Along with our technology changes we are going to streamline and bring clarity to the membership year. Starting in 2012, the membership year will go from September 1st to the following August 31st. Members will be able to start renewing their memberships as early as June 1st when Conference registration opens. Until this change goes into effect in the fall of 2012, all members who have paid their dues for 2011 will be considered full members, but of course, will be asked to renew as summer approaches. Full details about the new system put into place will be forthcoming over the next two months.

Looking forward to seeing you in Minneapolis. - David Jaffe

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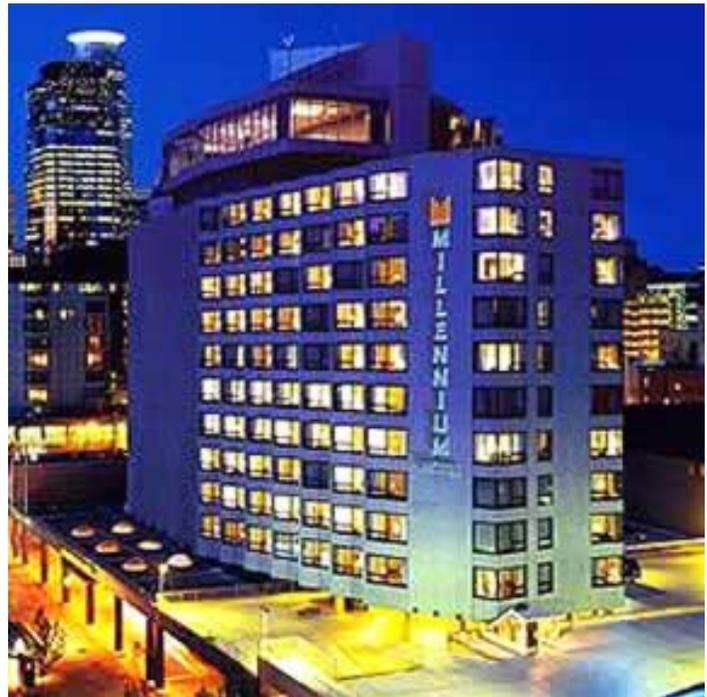
**Committee Chairs 2012**

- Certification and Testing** ..... **Steve Barreca**  
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- Current Issues** ..... **John Ferguson**  
Ferguson Associates  
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**2012 Annual Conference and Training**

**September 16 – September 21, 2012**  
**Millennium Hotel Minneapolis**  
**1313 Nicollet Mall**  
**Minneapolis, MN**

**For more information visit:**  
[www.depr.org](http://www.depr.org)



**Make Your Reservations:**

The SDP Room Block is now open for reservations at the group rate of **\$119**. To book rooms, please call 612-332-6000 or 800-522-8856 and ask for the **Society of Depreciation Professionals Rate**. Rates are guaranteed at the group rate until August 23, 2012.

**Transportation from Airport to the Millennium Hotel:**

Light Rail Transit (LRT) trains stop at both Terminal 1-Lindbergh and Terminal 2-Humphrey and connect travelers to 17 other destinations, including downtown Minneapolis to the north and Mall of America to the south.

For more information on LRT service, see page 8.

Society of Depreciation Professionals  
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Executive Director: David Jaffe

## Certification Test for CDP Status

Passing the Certified Depreciation Professional (CDP) test is one of requirements for becoming a Certified Depreciation Professional. The test is given at each SDP Annual Meeting and also by appointment in Washington, DC.

Because the \$100 test fee entitles you to take the test twice, you may want to take the test once to determine areas needing further study and a second time to become certified.

We encourage you to visit the SDP website for further information about the test. Feel free to contact the SDP office if you have any questions about the CDP test.

## Results from 2011 Annual Meeting Evaluations

Here are some of the results and comments from the 2011 Annual Meeting evaluation completed by last year's attendees:

### Results:

Have you previously attended a SDP Conference?

- 65 % of respondents said Yes

Is the current Conference format appropriate?

- 88% of respondents said Yes

Is the Conference program relevant to industry trends?

- 88% of respondents said Yes

### Comments:

What topics would you like to see in the 2012 program?

- IFRS, Audit issues
- Environmental or remediation costs
- Determining plant life span
- Industry specific methods (oil and gas)
- Depreciation for Coal Plants and Railroads
- Current FERC or State issues and rulings

- Theoretical vs Actual Reserve Differences
- ALG versus ELG
- Gross Salvage and Cost of Removal

Suggestions for improvements:

- Provide list of acronyms or definitions
- More open topic forums and breakout sessions
- More marketing
- Safety briefing at start of meetings

Why was 2011 Annual Meeting successful?

- Relevant topics
- Time of year
- Timing within month of September to avoid quarter-end
- Cost of conference
- Networking opportunities
- High level of training
- High level of speakers
- Location
- Increased regulatory focus on depreciation
- Reputation of SDP

## Overview of 2012 Training

In addition to the half-day *Introduction to Depreciation* (Sunday Training) course, held during the afternoon *preceding* the Sunday, September 16th Reception; we are pleased to offer four concurrent depreciation courses immediately *following* the 2012 Annual Meeting.

The courses range from an overview of *Depreciation Basics* to a discussion of life analysis models useful in valuations in *Life Analysis for Valuations* to a study of *Life and Net Salvage Analysis* models with real-world applications. Our capstone course *Preparing and Defending a Depreciation Study* is intended for depreciation professionals as well as managers seeking an overview of the depreciation study process.

Please see pages 6 and 7 for further details.

## More Reasons to Join Your Colleagues at the 2012 SDP Annual Conference and Training in Minneapolis...

If you are able to schedule some free time before, during or after this year's annual conference and training, here is a list of some things to enjoy while in Minneapolis this fall.

### **Bell Museum of Natural History**

Dedicated to Minnesota's past, especially in regards to landscape and wildlife. (University - 3.0 miles from Millennium Hotel)

### **Broadway Show at Orpheum Theater**

Located in the heart of Minneapolis, the Orpheum Theater is showing a great line up of Broadway shows this season. (Downtown - 0.5 miles from Millennium Hotel)

### **Eat a Juicy Lucy Burger**

Minneapolis' contribution to world cuisine is the Juicy Lucy burger - the inside-out cheeseburger. The Juicy Lucy - also known as a Jucy Lucy - was invented sometime in the 1950s by either the 5-8 Club, or Matt's Bar. (South Minneapolis)

### **Go to a Twins game at Target Field**

Open-air ballpark and home for the Minnesota Twins. Afternoon home games – Sept 15, 16 vs White Sox (Downtown - [LRT access](#))

### **Go to a Vikings game at the Metrodome**

The home to the Minnesota Vikings football team. (Downtown - [LRT access](#))

### **Guthrie Theater**

See the play *The Brothers Size*, an exuberantly theatrical drama – Sept 15, 16, 19 – 21 evenings (Mills District - 1.6 miles from Millennium Hotel)

### **Minneapolis Institute of Arts**

An internationally renowned museum boasting a permanent collection of more than 80,000 items. And it's always free to visit - some special events may have an admission charge. (Downtown - 1.1 miles from Millennium Hotel)

### **Minneapolis Sculpture Garden**

Located next to Walker Art Center, this is the country's largest urban sculpture garden. (Loring Park - 0.6 miles from Millennium Hotel)

### **Minnehah Park and Falls**

Minnehaha Creek drops 53 feet to form beautiful Minnehaha Falls, an impressive sight year-round. (West Minneapolis - 7.0 miles from Millennium Hotel)

### **Minnesota Valley National Wildlife Refuge**

This federally managed nature preserve offers sanctuary for a range of migrating birds and waterfowl. (Bloomington - South Minneapolis)

### **Shop at Mall of America**

This is the biggest mall in the country and one of the largest in the world. (South - [LRT access](#))

### **Shop or Dine along Nicollet Mall (avenue)**

Nicollet Mall is not an enclosed mall, but the main downtown street in Minneapolis and a portion of Nicollet Avenue. Working as a pedestrian and transit mall, it is also an upscale shopping and dining district. Watch for no fare shuttle buses running up and down Nicollet Mall (avenue) – identified as “Free-Ride”.

### **Skyways in Minneapolis and St. Paul**

Twin cities Skyways let pedestrians travel through enclosed walkways high above the streets. (Downtown - walking distance from Millennium Hotel)

### **Stone Arch Bridge at St. Anthony's Falls**

This bridge was built by James Hill to establish railroad passage across the Mississippi River. (Downtown - 1.5 miles from Millennium Hotel)

### **Walker Art Center**

What began in 1927 as a humble public gallery has become a world-renowned arts center. (Loring Park - 0.6 mile from Millennium Hotel)

## *FROM THE DESK OF JOHN FERGUSON, CDP*

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### **ACCOUNTING FOR THE SALE OF LAND**

**John Ferguson, CDP**

The accounting for a sale of land is straightforward. However, the accounting is not straightforward for a sale that involves both land and the depreciable property located thereon, which prompts this discussion.

When only land is involved in a transaction, a gain or loss is recorded for any difference between the sale price and the cost basis of the land. It becomes more complicated when a sale involves both land and the depreciable property located thereon, such as can occur with power plants and general purpose buildings, because the sale price must be segregated between the non-depreciable land and the depreciable property.

Such segregation requires an appraisal to determine the current value of the land, which identifies the portion of the sale price applicable to the land. The remainder of the price is applicable to the depreciable property, and can be either positive or negative. A positive amount can be expected when the purchaser expects to reuse the depreciable property, and a negative amount can be expected when the purchaser expects reuse of the land to require demolition of the depreciable property. A positive amount would be recorded by the seller as being salvage for the depreciable property and a negative amount would be recorded as being cost of removal. Thus, a seller would record cost of removal, whether the seller did the demolition prior to the transaction or the purchaser did the demolition after the transaction.

Going to the effort of conducting an appraisal for segregation purposes might be thought of as not being worth the effort, since the total gain or loss for income tax purposes would be the same with or without segregation. However, the seller may have already obtained an appraisal of the land in order to set the price and/or to judge the adequacy of purchase offers, and applying the entire sale price to the land without an appraisal can have an adverse influence on future depreciation rates. This influence on future rates would be particularly adverse when an appraisal indicates that cost of removal should be recorded, because past experience would then indicate there would be no cost of removal, even though demolition can be expected to occur at the end of life for the type of depreciable property involved in the sale.

I have observed interveners in electric utility rate cases that include depreciation issues to sometimes assert that the value of power plant sites is sufficient for adopting positive or zero net salvage for calculating depreciation rates. However, this assertion is in conflict with regulatory accounting rules, because Uniform Systems of Accounts preclude gains or losses from sales of non-depreciable assets (land) from being treated through depreciation.

## Overview of 2012 Depreciation Training

### Susan Jensen, Ph.D., CDP

We are pleased to offer four concurrent depreciation courses immediately *following* the 2012 Annual Meeting. **Courses begin at 1:00 PM Tues., Sept. 18, and end by noon Fri., Sept. 21.**

The courses range from an overview of *Depreciation Basics* to a discussion of life analysis models useful in valuations in *Life Analysis for Valuations* to a study of *Life and Net Salvage Analysis* models with real-world applications. Our capstone course *Preparing and Defending a Depreciation Study* is intended for depreciation professionals as well as managers seeking an overview of the depreciation study process.

**For registration information visit**  
[www.depr.org](http://www.depr.org)

#### *Depreciation Basics* (22 CPE credits)

This course includes an introduction to *Plant and Depreciation Accounting and IFRS, Data Requirements and Collection, Simulation Life Analysis, Actuarial Life Analysis, Salvage and Cost of Removal Analysis, Depreciation Models, Life Cycle Analysis, and Technology Forecasting*. This excellent course is often repeated by those wanting additional study on select topics or additional preparation for the CPE exam.

#### *Life Analysis for Valuations* (22 CPE credits)

This course gives you a set of objective and proven tools for use in developing economic lives that capture all forms of depreciation and obsolescence impacting the productive life of the property. Course segments include *Actuarial Life Analysis, Simulation Life Analysis, Life Cycle Analysis, Technology Forecasting, Depreciation Tables and Economic Lives, and Current Regulatory Issues in Valuation*.

#### *Life and Net Salvage Analysis* (22 CPE credits)

The *Actuarial and Simulation* analysis courses include applications to real-world data to prepare you either to use the models in your depreciation studies or to review the use of the models in studies presented to you. We will also again offer *Gross Salvage and Cost of Removal* as well as *FAS 143* and *Overview of IFRS*. And in the class *Evaluation of a Depreciation Study*, you will learn how to “get behind the numbers” developed in a depreciation study.

The **prerequisite** for this course is the *Depreciation Basics* course or permission from Dr. Susan Jensen based on your qualifying experience or courses.

#### *Preparing and Defending a Depreciation Study* (22 CPE credits)

This course begins with a review of life, net salvage, and depreciation models and then focuses on *Developing Life and Salvage Estimates, Preparing a Depreciation Study Report, and Defending the Study, including Witness Preparation and Techniques*. This course is intended for professionals involved in preparing depreciation studies as well as managers wanting an overview of the depreciation process.

The **prerequisites** for this course are both the *Depreciation Basics* AND the *Life and Net Salvage Analysis* courses or permission from Dr. Susan Jensen based on your qualifying experience, courses, or objectives.

There will be ample opportunity during class and at informal evening receptions for you to talk with your expert instructors and network with attendees from utilities, State and Federal commissions, and consulting firms. *Take advantage of our substantial discounts for multiple attendees from a company and for members who are also attending the SDP Annual Meeting.*

## Sunday Depreciation Training Sunday, September 16, 2012

We have expanded the course *Introduction to Depreciation* to extend from **noon to 5:00 PM Sunday, Sept. 16** immediately *preceding* the 2012 Annual Meeting. This excellent overview course is intended for professionals involved in preparing depreciation studies as well as managers wanting an overview of the segments of a depreciation study. Several attendees at our previous offerings of this course expressed a desire to attend Sunday Training again so we will be making changes to the course each year so you can repeat it. This course includes several of the topics included in the CDP Exam.

### *Introduction to Depreciation* (5.5 CPE credits)

This course begins with a discussion of the importance of depreciation and the complications inherent in estimating this expense. We then discuss the differences between component and group depreciation and how we account for each. We break the depreciation rate into its life and salvage components and briefly discuss various analyses commonly used to estimate each component. These life and salvage components are then combined to develop depreciation rates using different depreciation procedures and techniques together with the straight-line method.

For registration information visit  
[www.depr.org](http://www.depr.org)

## SDP Sponsors

We wish to acknowledge our 2011 Annual Conference & Training Sponsors for their generous donations. Most of the donations go towards the many breakfasts, lunches and receptions that our Annual Conference and Training attendees enjoy.

### Gold



*Excellence Delivered As Promised*



### Silver

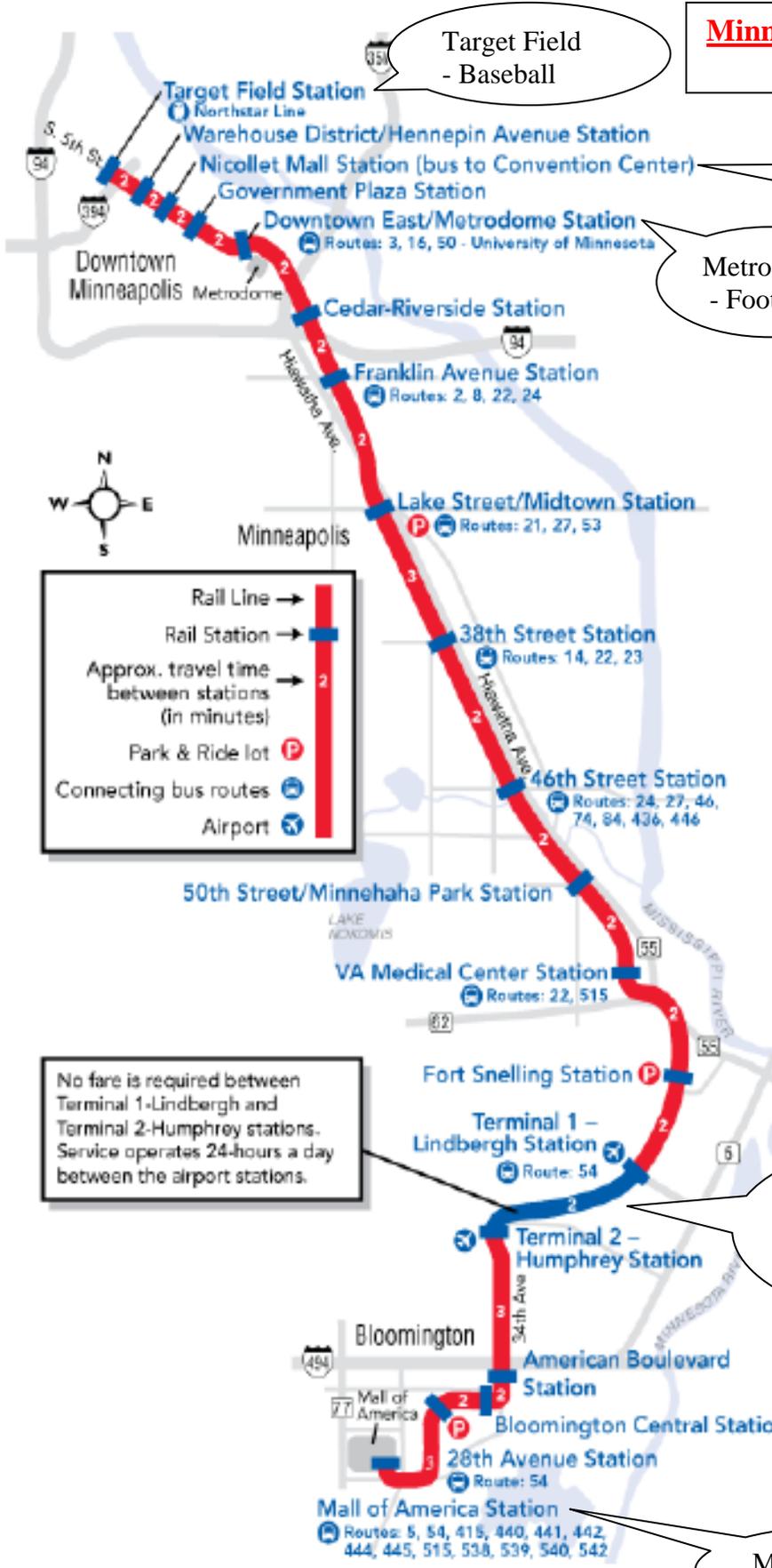


T a n g i b l L L C

### Bronze



**Minneapolis Light Rail Transit – LRT**  
**Hiawatha Line - Route 55**



**Millennium Hotel**  
at 1313 Nicollet  
Mall (Avenue)

Metrodome  
- Football

**Transportation from Airport to  
Millennium Hotel  
at 1313 Nicollet Mall:**

Catch the LRT at the Airport and disembark at the Nicollet Mall Station.

Nicollet Mall is not an enclosed mall but the main semi-pedestrian shopping street in downtown Minneapolis, and is a portion of Nicollet Avenue.

From the LRT - Nicollet Mall Station (at 5th Avenue) to the **Millennium Hotel** (at 13th Avenue) is a distance of 8 city blocks - about a 20 minute walk. If you prefer, there is a "Free-Ride" shuttle bus running every 7 to 8 minutes during the day up and down Nicollet Mall (avenue) which will take you to the **Millennium Hotel**.

Catch the Hiawatha Line (Route 55) of the LRT at the Airport – Terminal 1 or 2

Mall of America

**Useful Links:****Travel essentials:**

[Millennium Hotel](#)

[Airport – LRT Transportation](#)

**Just for fun:**

[Bell Museum of Natural History](#)

[Broadway Show at Orpheum Theater](#)

[Eat a Juicy Lucy Burger - at the 5-8 Club](#)

[Eat a Juicy Lucy Burger – at Matt’s Bar](#)

[Go to a Twins game at Target Field](#)

[Go to a Vikings game at the Metrodome](#)

[Guthrie Theater](#)

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