

# SDP Newsletter

Volume 11, Issue 2, Summer 1998

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## A Message From Your President

One of my hardest to achieve accomplishments was becoming a licensed Professional Engineer (PE). Fresh out of college, I pursued the requirement for registration as an Engineer-In-Training (EIT), as it was called way back then. I took the 8 hour test and passed. I had every intention of pursuing the PE license as soon as I met the four year intern requirement. As time passed, however, "I never had enough time" to accomplish my goal, or so I told myself.

After 20 years of procrastination, I realized it was now or never; I bit the bullet. I studied for six months, took a refresher course at Georgia Tech, and took the all day test. It was the hardest test I ever took and my hopes were squashed by a mere 5 points (I got a 65 and needed 70). I found some solitude, mixed with frustration, in that that season's test had the lowest passing rate in PE history, and that my score was a passing grade in some states. But I still didn't have my PE.

I overcame my disappointment and studied for another six months. This time I passed. I'm very proud of this accomplish – and equally proud of my certification as a Depreciation Professional (CDP). To achieve my CDP, I chalked-up about 15 years of hands-on depreciation experience, plus two months of study and review. I took the test and I am happy to report that I passed. It was the SDP's first CDP test, and 'Barreca' was top at the top of the alphabetical list; so I have the lowest certification number, 101. But the number's value is meaningless; just having it is something to be proud of. I urge all members to establish CDP certification as a personal goal, and go for it; you'll be proud you did.

In an effort to make the CDP test more accessible to our members, the Board is considering a program to allow off site testing. In the past, the Board has approved off site testing on a case-by-case basis. Earlier this year, we established some basic guidelines which included: a requirement that the test proctor be a CDP, and all off site tests must be authorized by the Board. The Board is currently wrestling with the advantages and disadvantages of off site testing. Bill Stout and Susan Jensen are coordinating the review of this matter. Please take this opportunity share with us your thoughts and concerns by contacting Bill or Susan.

Thanks, in large measure, to Jerry Houck, this year's Journal should provide some great reading. I had the opportunity to see drafts of some of the articles, and frankly, I am impressed. Don't forget to pick up your copy at the SDP Annual Meeting. The Annual Meeting, by-the-way, looks like its shaping up to be the best ever. Larry Kennedy, and

his motley crew, have really put together an informative and provocative agenda and an enjoyable program. Be there or be square!

Nominations for next year's officers are being considered. Bill Stout is heading the nomination committee. If you are interested in pursuing an active role in your Society, please let us know. With the Society, as with all good things in life, you get out of it what you put into it.

See you in Cincinnati,  
*Steve Barreca*, PE, CDP  
President

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See inside for information on this years Annual Meeting. If you have not done so, make your hotel reservations now, by calling 513/421-9100. The deadline for reservations at the group rate is September 8, 1998.

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## **Merger-Mania**

*Tony Flesch*

It seems as though the communications industry is engulfed in merger-mania. As one analyst stated, nobody wants to be left at the altar without a partner. Maybe the title of this article should be "Grab a partner and let's dance" or "What Company did you say you work for?".

In case you haven't been able to keep track of who is merging with whom, here is a brief recap: SBC - Pacific Teleisis - SNET - Ameritech; WorldCom - MCI; AT&T - Teleport - TCI - allied with BT; Bell Atlantic - NYNEX - GTE. This list is not intended to be all-inclusive and is ever-changing. Rumors abound about the merger prospects of the remaining solo RBOCs, Bell South and US West, as well as Sprint.

What is your opinion, will these mega-mergers promote or stifle competition? Do these mergers promote convergence and create synergies, or do they just make a big company bigger? How big is too big? Should these mergers be approved? If we finally merge to "Only Tel" should we divest and start over again?

Will we someday call a customer service office somewhere in cyberspace and be greeted by the phrase: "Hello, thank you for choosing gas, water, electric, telephone, television, media, satellite, internet, banking, chicken, burger, and pizza express, may I help you?" "You say that your electricity is not working? Well, all of our power technicians are currently busy, but if you order our large two item pan pizza, I can have our pizza delivery technician look at it for you."

Maybe we can share our opinions on this merger-mania frenzy during the Concurrent Industry Discussion break-out session on Telco Advances/96 Telco Act, scheduled for Monday October 5, 1998, 1-2:30 pm. Who knows, by the time we get to Cincinnati, we might be experiencing yet another round of merger-mania!

## **FCC Depreciation NPRM?**

It appears that the much-anticipated FCC Notice of Proposed Rule Making (NPRM) on telecom depreciation might soon be released. In January, the FCC released a list of 31 proposed proceedings to be initiated as part of the 1998 biennial review. The biennial review is aimed at eliminating or modifying regulations that are overly burdensome or no longer serve the public interest. The FCC identified depreciation as an item that the Commission would consider in this year's review, stating: "Depreciation. Consider streamlining or eliminating Commission's methods for prescribing depreciation rates."

On August 6, 1998 the FCC reported progress on the 1998 biennial regulatory review. Among the items listed was: "Elimination or streamlining various rules prescribing depreciation rates for common carriers. 1998 Biennial Regulatory Review - Review of Depreciation Requirements for Incumbent Local Exchange Carriers, CC Ckt. No 98-137, NPRM, FCC 98-170 (adopted July 22, 1998)."

At the time of this writing, although the NPRM had been adopted, it had yet to be released. Hopefully it will be released prior to the annual meeting and might possibly provide a lively discussion topic for the Concurrent Industry Discussion break-out session on Telco Advances/96 Telco Act, scheduled for Monday October 5, 1998, 1-2:30 pm, which I will moderate. I am sure we might encounter a few differences of opinion regarding the scope and content of this NPRM among our membership!

## **Welcome to our New Members!**

**Pamela Rae Gerard**, Gainesville Regional Utilities

**Kenneth Hendricks**, Capital Software

**Charles Larson**, Maryland Public Service Commission

**Charles Lewis**, Hartman & Associates, Inc.

**Ruby Mah**, TransAlta Utilities Corporation

**John Martin**, TransAlta Corporation

**Philip Naughton**, Ameritech

**Fion Tang**, Nevada Bell

**Peter Teigen**, Valuation Resources Management

The SDP membership continues to grow, reports Ron Kalich, Membership Chair. With several months remaining in 1998, we expect to surpass the membership totals from 1997. If you have not yet renewed your membership for 1998, please do so today. Your membership helps support the many initiatives of the Society, including the publication of Newsletters, the scholarly SDP Journal and the professional designation of Certified Depreciation Professional. Only those who are current members for 1998 will be

receiving the new SDP Journal. So, don't delay in renewing your membership. If you would like more information regarding membership, or want membership information sent to someone else, please contact the SDP office.

The 1998 categories of membership and total numbers are as follows:

Consultants:	59
Electric & Gas:	53
Telephone:	47
Regulators:	15
Water:	7
Railroad:	3
Total:	184

## **Certified Depreciation Professional Examination**

SDP is accepting applications for its Certified Depreciation Professionals examination. It will be given at its Annual Meeting in Cincinnati on Wednesday, October 7, 1998 from 8:00AM to Noon. Applications can be obtained from the SDP Office.

### **CDP Requirements:**

**Candidates:** Any **member** of the Society of Depreciation Professionals, who is a practicing depreciation professional or engaged in the depreciation profession, who wishes to become designated by the Society of Depreciation Professionals as a Certified Depreciation Professional may apply for such certification with the Society.

### **Certification Requirements:**

**Membership:** The candidate must be an active member of the Society of Depreciation Professionals.

**Experience:** The candidate must have a minimum of five years of full time depreciation experience; at least two of the five years must be in the area of depreciation administration.

**Examination:** The evaluation of a candidate's technical depreciation proficiency and acquaintance with the Society's requirements for certification, principles and basic precepts of the profession is accomplished by means of a written examination. A minimum passing score will be mandatory to qualify for Certification. The examination is constructed to reveal a candidate's knowledge, ability and expertise in depreciation matters. Areas covered in the examination include: Life analysis, grouping of property, service life calculation, net salvage analysis, historical experience vs. future expectation and SDP ethics.

A full day of training on Sunday, October 4th, will focus on preparation for the examination.

## **Applications for Certified Depreciation Professional**

If you plan to take the examination for Certified Depreciation Professional you need to submit an application and pay the CDP fee of \$100. The fee covers the cost of preparing the examination and the administrative costs associated with designating individuals as Certified Depreciation Professionals. Applications are available through the SDP office.

## **Professional Development Through Training**

The 1998 Training, to be held Sunday October 4th, is designed to prepare individuals to take the Certified Depreciation Professionals Examination. Topics for training will include:

Life Analysis

Forecasting

Salvage

Accrual Calculation

Simulated Analysis

Accounting

The training will last a full day, with in-depth coverage of all the topics listed above.

Participation in this training is not limited to those taking the Certified Depreciation Professional Examination. The topics should be of value to most of us working in the depreciation profession. This year's training is coordinated by Dr. Susan Jensen.

## **SDP Journal Going to Print**

Jerry Houck, Journal Committee Chair, is pleased to announce that the 1998 SDP Journal is being prepared for final editing and printing. If all goes according to schedule, the Journal should be available at the Annual Meeting. The Journal is an added benefit to your membership. Additional copies of the Journal can be purchased for \$15.00. A full set of previous Journals can be purchased for \$45.00. We extend our thanks to Jerry for his commitment and perseverance in getting the journal published.

## **Notes from the SDP Office**

*Rod Daniel*

I enjoy reading. I particularly enjoy contemplating quotes from the famous and not so famous. Recently I ran across a quote from George Bernard Shaw which struck me as timely and relevant to all of us. "The only man I know who behaves sensibly is my tailor; he takes my measurements anew each time he sees me. The rest go on with their old measurements and expect me to fit them."

Successful professionals in all fields, like Shaw's tailor, must constantly measure the needs of their constituents. Few among us can afford to rely on data and information collected last year, or even last month. We need to be synthesizing, researching,

analyzing, listening and “networking.” I believe this holds true for depreciation professionals as surely as it does for other professionals.

Our success is a delicate balance between what we know worked in the past while incorporating new skills and techniques. What better opportunity to listen, synthesize and network than at the SDP Annual Meeting? We have incorporated a number of changes in this year’s meeting, and we need to know how you feel about it. If you are unable to attend, please let us know why. Is it the timing, the cost, the location, the program? Your input will help us design a program that will be better for all of us.

For your long range plans, the 1999 Annual Meeting will be held in Albuquerque, New Mexico, October 3-6, 1999. The meeting will coincide with the annual Hot Air Balloon Festival. We hope that many of you will be able to combine this Annual Meeting with family and vacation time. Plans are underway for an exciting meeting in 1999.

## **Upcoming Events**

Sixth Annual National Electricity Forum & 17th Congress of the World Energy Council  
Houston, Texas  
September 16-18, 1998

Sixth Annual NARUC/DOE Gas Conference  
Pittsburgh, Pennsylvania  
October 4 - 7, 1998

NARUC Basics of Regulation and the Rate-Making Process Course  
New Mexico State University  
Albuquerque, New Mexico  
October 19-23, 1998

110th NARUC Annual Convention,  
Marriott's Orlando World Center,  
Orlando, Florida  
November 9-12, 1998

The EEI Corporate Accounting Committee and AGA Accounting Services Committee  
Meeting  
New Orleans, Louisiana  
December 6-10, 1998.

NARUC Winter Committee Meetings  
Renaissance Washington Hotel, 202-898-9000  
Washington, D.C.  
February 21-24, 1999

77th National Conference of Regulatory Utility Commission Engineers (NCRUCE)  
Hauppauge, Long Island, New York  
June 20 - 24, 1999

NARUC Summer Committee Meetings,  
The Westin St. Francis Hotel,  
San Francisco, California  
July 25-28, 1999

41st NARUC Annual Regulatory Studies Program,  
Michigan State University,  
East Lansing, Michigan  
August 1-13, 1999

### **Plan to Attend the Society's Annual Business Meeting**

The annual Business Meeting of the Society of Depreciation Professionals will be held on Tuesday, October 6th, 1998, 1:00pm at the Omni Netherlands Plaza Hotel in Cincinnati. This is a very important event in the life of the Society. It is your opportunity to share your feelings about the state of the Society and the future direction of the Society. In addition to the election of officers, there will be a vote to amend the constitution. The proposed amendment is as follows.

The Society of Depreciation Professionals Constitution currently reads in Article III - Headquarters:

Section 1: The principal office and regular mailing address for receipt of correspondence shall be located in conjunction with that of the President of the Society.

Section 2: Notwithstanding Section 1 of this Article III, the principal office and regular mailing address for receipt of correspondence may be located anywhere within the United States as approved by a majority vote of the Executive Board.

The proposed amendment to the constitution shall eliminate Section 1 and Section 2 entirely. The new Section 1 under Article III shall read:

The principal office and regular mailing address for receipt of correspondence shall be as approved by a majority vote of the Executive Board.

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Be sure to visit the Society's web page at [www.depr.org](http://www.depr.org). The web page provides you with easy access to the Society's officers and the SDP office as well as valuable links to many related sites.

### **Don't Miss This Year's Annual Meeting**

*Larry Kennedy, Program Chair*

The final touches are now in place for the 1998 Annual Meeting, October 4 - 7 in Cincinnati. The SDP Board of Directors and several members have worked hard to ensure that this year's meeting continues to add value to the Society and its membership. The planning committee, in response to comments and recommendations from the membership, has made a number of exciting changes to this year's meeting.

For those of you who have attended previous meetings, a quick review of the Agenda will hi-light the exciting changes that have been incorporated into this years program. The changes for the 1998 Annual Meeting are directly in response to your comments and recommendations from previous years. We heard from many of you that travelling across North America for a one day conference was difficult to justify within ever increasing budget constraints. With that in mind, the conference has been expanded to two days, providing the opportunity to expand the agenda, and to incorporate some of the exciting landmarks and entertainment opportunities that Cincinnati offers.

For those who have never attended an Annual Meeting, we encourage you to come and take the opportunity to network with your colleagues, business partners, and regulatory personnel from all regions of North America. The opportunities presented at this conference to participate in the discussion of the current issues affecting depreciation are simply not available at any other conference. Because the SDP membership is comprised of a diverse group of industry representatives, regulators, and consultants, all having an interest in capital recovery, no other conference presents the unique opportunity, to understand the diverse interests regarding many current capital recovery issues.

Join us in Cincinnati and take advantage of the opportunity to participate in discussions on some of the most current and controversial issues that face depreciation professionals today. Regulated Utilities are facing increased competition resulting from regulatory and legislative changes at both the State and Federal levels. This competition is resulting in an increasing demand from customers to provide higher value, lower cost service. Depreciation professionals and consultants from industry and State and Federal regulatory agencies are faced with developing and keeping up to date with depreciation strategies to meet the changing demand from customers resulting from a changing regulatory and competitive environment. In addition to the stimulating agenda, exhibitors will be on hand with the latest in technological advances that affect the depreciation industry. You will have opportunities to visit with them throughout the meeting.

Take advantage of the many resources which Cincinnati offers. We will take a walking tour of an historic landmark, which also happens to be the switching centre for Cincinnati Bell. Join us on Monday evening as we provide an opportunity for networking in an environment of fun and enjoyment for dinner and entertainment at one of Cincinnati's popular night spots. For details on sports, entertainment , arts and other offerings in Cincinnati, visit their home page at [www.cincyusa.com](http://www.cincyusa.com) .

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**Support Your Society**

There are four ways to support SDP. Companies may become **Sustaining** or **Business** Members. Individuals may become **Patrons** or **Friends** to SDP.

**Sustaining Members \$750**

**Benefits:** Recognition in the Journal and Newsletter and a Plaque at the Annual Conference.

**Business Members: \$300**

**Benefits:** Recognition in the Journal and Newsletter

**Patrons \$200**

**Benefits:** Recognition in the Journal and Newsletter.

**Friends: \$100**

**Benefits:** Recognition in the Newsletter.

Send your donation to:

SDP

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**We need your input.**

Please submit any news of interest to our members to the Newsletter editor for inclusion in upcoming issues of this Newsletter.

**1998 Society of Depreciation Professionals Board of Directors**

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The Society of Depreciation Professionals Newsletter is published tri-annually. *Please send your contributions to the Editor.*

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