



## SDP Newsletter

### Volume 15, Issue 3, Fall 2002

#### A Message From Your President *Pat Morcom*



Happy Holidays Everyone!

For some reason the holiday season always takes me by surprise. One minute it is summer with fall and the SDP annual meeting just around the corner, the next minute the annual meeting is over, and the winter holidays are right upon me and another year has come and gone.

The New Orleans Annual meeting was a great success, so a great big thanks goes to Richard Clarke and Rod Daniel for making sure it all came together and to all our speakers and presenters. I heard many positive comments about the speakers and various presentations and I hope all attendees were able to take away valuable, new insights on the various topics. I found the sessions very informative and useful and have had the opportunity to use some of the new skills I learned. Everyone I spoke with was having a great time exploring New Orleans and enjoying the sites around the French Quarter. In the evening, I would see various small groups of SDP attendees wandering through the Quarter and down Bourbon Street enjoying the sites and the sounds of jazz coming from all around as well as enjoying the

many culinary delights. The evening ghost tour was a great way to learn some interesting and unusual history.

I am sure that many of you are working diligently to complete implementation of FAS 143. This project has involved many different areas within the company and participation project working groups coming together to discuss the issues and share ideas. The discussions have been interesting and it is thought provoking to hear the varied opinions on a specific topic.

There continues to be discussion regarding the SOP on property, plant and equipment accounting. As John Ferguson noted at the annual meeting, and in his current issue memo, SDP member Bill Stout, Gannett Fleming Valuation and Rate Division, was invited to make a presentation at the September 2002 AcSEC meeting. Thanks to Bill for the well received presentation on the group accounting concept and to John for keeping us updated through his current issue notes.

The SDP Annual Meeting for 2003 will be September 7-10 at the Snow King Resort in Jackson Hole Wyoming. I look forward to seeing all of you.

As the end of the year rushes toward us, I thank the members of the board for their hard work and efforts to keep the society a valuable resource for the members. I hope more members become involved with the society by serving on a committee or on the board in the future. It is a great way to keep professional contacts current and to develop new contacts as well as meet a great bunch of people.

Happy New Year!!!

*Pat Morcom*

**2003 Annual Meeting of the Society of  
Depreciation Professionals  
Jackson Hole, Wyoming  
September 7-10, 2003**

**2002  
SDP Board of Directors**

**President**

Patricia Morcom, Salt River Project  
602/236-5458 FAX: 602/236-3050

**Vice-President**

Richard Clarke  
Southern California Edison  
626/302-1174 FAX: 626/302-4755

**Treasurer**

Dale Urban, Edmonton Power  
780/412-3238 FAX: 780/412-3418

**Secretary**

Rhonda Watts, Deloitte & Touche LLP  
214/840-7358 FAX: 214/840-1320

**At Large Director**

Jacob Ransom, BellSouth  
205/977-8932 FAX: 205/977-8720  
Chris Harris  
Virginia State Corporation Commission  
804/371-9664 FAX: 804/371-9069

**Past President**

Anthony Flesch, Verizon  
972/718-5934 FAX: 972/719-7460

**Certification Committee**

Susan Jensen, Surface Transportation Board  
202/565-1536 FAX: 202/565-9000

**Current Issues Committee**

John Ferguson  
972/699-8214 FAX: 972/699-9396

**Recertification Committee**

Jerry Weinert, AUS Consultants  
414/271-8580 FAX: 414/271-8623

**Coordinating Committee**

Vacant

**Depreciation Policy & Education  
Committee**

Susan Jensen, Surface Transportation Board  
202/565-1536 FAX: 202/565-9000

**Ethics and Standards**

Earl Robinson, AUS Consultants  
717/763-9890 FAX: 717/763-9931

**Journal Editor**

Vacant

**Membership Committee**

Dale Urban, Edmonton Power  
780/412-3238 FAX: 780/412-3418

**Newsletter Editor**

Rhonda Watts, Deloitte & Touche LLP  
214/840-7358 FAX: 214/840-1320

**Program Committee**

Richard Clarke  
Southern California Edison  
626/302-1174 FAX: 626/302-4755

**Web Page Editor**

Lou Walters, Verizon  
972/718-7350 FAX: 972/719-7460

---

**Newsletter Staff**

**Publisher:** Ronald Daniel

**Editor:** Angela Comfort

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

**Society of Depreciation Professionals**

733 15<sup>th</sup> St NW Ste 330  
Washington DC 20005  
202/362-0680 FAX: 202/638-7895  
e-mail: [SDP@dmg-dc.com](mailto:SDP@dmg-dc.com)

**Election Results**

*Tony Flesch*

The election for the 2003 SDP Executive Board Officers was held at the Annual Business meeting on Monday September 9, 2002 at the Le Meridien Hotel in New Orleans, LA. The Society of Depreciation Professionals is pleased to announce the 2003 Officers:

President: Dick Clarke, Southern California Edison  
Vice President: Rhonda Watts, Deloitte & Touche LLP  
Treasurer: Dale Urban, Epcor  
Secretary: John Wiedmayer, Gannett Fleming  
Director at Large 03-04: Chris Harris, Virginia SCC  
Director at Large 02-03: Jake Ransom, BellSouth  
Past-President: Pat Morcom, Salt River Project

As Vice-President, Rhonda Watts also assumes the duties as 2003 Program Committee Chair. And, as Secretary, John Wiedmayer assumes the duties of 2003 Newsletter Committee Chair. Tony Flesch moves from Past-President to the Chair of the Ethics and Standards Committee.

**Web Page News**

*Lou Walters*

The Annual Meeting in New Orleans was excellent! There was a full compliment of outstanding presenters this year. There are photos posted on the SDP web page; be sure to take a look. I don't have any pictures of the night life, but I do have several bead necklaces I earned from some women on a balcony on Bourbon Street!

If you haven't been on the web page for a while, you will notice an improved look to the on-line newsletter and Membership Directory – they are now PDF files that are viewed with Adobe Acrobat. This produces a much cleaner look and, when printed, the newsletter looks just like the original paper copy!

Just a reminder: the SDP Directory and Jobs Listing page on our website are in a protected area that is restricted to SDP members only - you will be prompted for a User Name and Password. To gain access, User Name=society and the Password=society. The responses are case sensitive; "society" must be lowercase. Please take a moment to review your information in the SDP Directory. If it is incorrect, notify Rod Daniel so we can update our Directory.

There are Society members who are looking for a job. If anyone knows of a depreciation-related job opening in his or her company, be sure to let me know and I will post it! The SDP web page address is [www.depr.org](http://www.depr.org) – see you there!

**Upcoming Events**

The next Farconsult Capital Recovery & Fixed Assets Valuation Seminar will be held on March 10-12 2003 at the Wyndham Miami Beach Resort in Miami, Florida. The brochure will be distributed by the end of November 2002. Contact: Aly Elfar (613/825-6611) or [alvelfar@rogers.com](mailto:alvelfar@rogers.com).

May 19-23, 2003; AGA/EEI Property Accounting & Depreciation Training Seminar, Hyatt Regency Westshore, Tampa, Florida. For more information contact Doug Allen (202) 824-7261; [dallen@aga.org](mailto:dallen@aga.org).

**SDP Journal**

We would like to take this opportunity to recognize and thank Pat Lee for her past efforts as Editor for the SDP Journal. She has been central to the production of several outstanding Journals for the field.

If you would like to submit an article for an upcoming journal, please email it to Rod Daniel at [rdaniel@dmg-dc.com](mailto:rdaniel@dmg-dc.com).

## **Statement of Financial Accounting Standards No. 143**

### **Accounting for Asset Retirement Obligations**

Don Roff, CDP

In June 2001, the Financial Accounting Standards Board (FASB) issued SFAS No. 143. Effective for fiscal years beginning after June 15, 2002, SFAS No. 143 requires all entities to recognize legal obligations to remove property on the Balance Sheet as liabilities. These liabilities are called *Asset Retirement Obligations* (ARO's). The measurement criterion is at fair value and an offsetting asset labeled *Asset Retirement Cost* ("ARC") is also recorded. The ARC is depreciated in a systematic and rational manner over the expected life of the asset. Fair value can be measured in many ways, and the Standard allows the use of expected cash flow approaches.

For regulated utilities, the provisions of SFAS No. 71 permit the recording of regulatory assets and liabilities. During initial application of SFAS No. 143, it is expected that the cumulative effect adjustment outlined in SFAS No. 143 might be recorded as a regulatory asset/liability. The primary ARO's that have been reported relate to nuclear power plants and certain environmental requirements. Some companies have indicated that they may have ARO's for certain mass assets, but cannot currently determine the life for these assets.

SFAS No. 143 adequately describes the accounting for a legal asset retirement obligation. SFAS No. 143 does **not** describe the accounting for non-legal asset retirement obligations. The FERC, on October 30, 2002, had issued a Notice of Proposed Rulemaking ("NOPR") relative to SFAS No. 143. In addition to creating new accounts for the ARO's and some new expense accounts, certain definitions and account classifications and descriptions were to be amended, as well as new definitions. As of this writing, no rules had been promulgated.

The Securities and Exchange Commission has expressed concerns for regulated entities to disclose differences between Generally Accepted Accounting Principles ("GAAP") and regulatory accounting. Non-legal asset retirement obligations have been recorded into the Accumulated Provision for Depreciation as a component of depreciation expense. Such a difference must be disclosed as part of the footnotes to an entity's financial statements. A variety of calculation approaches to determine these amounts have been debated. Without question, the most accurate approach would be the historical build-up of cost of removal accruals, offset by actual removal cost in the accumulated depreciation balance. Such an effort may be burdensome, and alternative simplifying assumptions have been developed with little sacrifice in precision. These include the use of the relationship between cost of removal and net salvage, a theoretical reserve calculation with and without cost of removal, and the relationship between a segregated depreciation accrual rate into investment recovery and cost of removal components.

## **Current Issues Report**

John Ferguson, Chair

In its process of winding down the accounting standards activities of the AICPA Accounting Standards Executive Committee (AcSEC), the FASB has decided to allow AcSEC to continue its efforts on the Statement of Position (SOP) concerning the accounting for property, plant and equipment. However, the FASB has imposed some limits on the scope of the project. These limits are stated in an April 8, 2003 letter from Marc Simon, Technical Manager, Accounting Standards, to AcSEC that summarizes AcSEC's activities to date on this project. The letter is posted in the Accounting Standards section of the AICPA web site (<http://www.aicpa.org/>). AcSEC is to discuss the SOP at its April 29, 2003 meeting.

On April 9, 2003, the FERC approved and issued via Order No. 631 the final rule in Docket No. RM02-7-000 on the changes made to 18 CFR Parts 35, 101, 154, 201, 346 and 352 in response to SFAS 143. The final rule is little changed from the October 30, 2002 Notice of Proposed Rulemaking. The rule is effective 30 days after appearing in the Federal Register, and is adopted for accounting and reporting purposes as of January 1, 2003 for jurisdictional entities having calendar fiscal years. The Order is posted on the accounting rulemaking page of the FERC's web site (<http://www.ferc.gov/>).

## **2003 Annual Meeting**

Make your plans now to attend the 2003 SDP Annual Meeting, to be held at the Snow King Resort, Jackson Hole, WY, September 7-10, 2003. Plans are already underway to insure that the program meets the needs of our members, and addresses the latest in current issues.

Snow King Resort is located in the Town of Jackson at the base of Snow King Mountain. The Jackson Hole Airport is a convenient ten miles away. Grand Teton National Park is four miles and Yellowstone National Park is fifty-nine miles from Jackson. Teton Village and the Jackson Hole Ski Area are located twelve miles from our resort. September is a time when the weather is at its best, and the Fall colors should be reaching their peak.

The Jackson Hole Airport has regularly scheduled flights from most major airlines. For most people, the trip will involve a one-connection flight from a major hub such as Chicago or Denver.

To learn more about the Snow King Resort, and Jackson Hole, visit their web site at [www.snowking.com](http://www.snowking.com).

# SOCIETY OF DEPRECIATION PROFESSIONALS

733 15<sup>th</sup> St NW Ste 330 Washington DC 20005

## INVOICE

MEMBERSHIP DUES JANUARY 1, 2003 - DECEMBER 31, 2003

Name \_\_\_\_\_

Professional Affiliation: \_\_\_\_\_

Address: \_\_\_\_\_

Telephone: \_\_\_\_\_ FAX: \_\_\_\_\_ E-Mail \_\_\_\_\_

Dues:

		\$40	\$ _____	New ___	Renewal ___
Sustaining Member	@	\$750	\$ _____		
Business Sponsor	@	\$300	\$ _____		
Patrons' Donation	@	\$200	\$ _____		
Friends' Donation	@	\$100	\$ _____		