

**President's Message**

Dane Watson, CDP



**Dane Watson, President**  
Society of Depreciation Professionals

Welcome to a new year for the SDP. This is promising to be a very good year for the Society and its members.

Our meeting this September will be in Rapid City, South Dakota. When the venue was first suggested, I have to admit that I had my doubts about it. After all, it is not someplace most people have been (or have at the top of their "places I must see" list). I realize that the venue is not the reason people attend a meeting, but it does help to generate excitement about the meeting if it is in a place people want to go. However, after I thought about it further, I began to understand that offering our members the chance to see Mount Rushmore while they are attending the meeting is a really great idea. I know I would never have a chance to see Mount Rushmore if it weren't for this meeting. And it is a really cool place to see! It is one of the wonders of North America. I hope many of you will bring your families and take advantage of what may be a once-in-a-lifetime opportunity. On top of that, Donna is putting together a fantastic meeting agenda and as always, the networking will be great.

I would also be remiss if I didn't mention the training. I believe that Susan and her group of trainers have put together some of the best training ever offered for people in the depreciation field. No where else can you get such a concentrated focus on depreciation with

the breadth of knowledge these expert practitioners bring to their classes. The classes are continually being refined to provide the very best experience for the participants. This year we are providing a "cafeteria plan" for the Intermediate Program to allow participants to choose between some of the topics to tailor the Program to their specific needs.

Last, I want to say thank you to all the people who work behind the scenes to make this Society run. The Executive Board and Committee Chairs are listed in this newsletter. Please take every chance you can to thank these people for their hard work. Unless you have been a part of the leadership of the Society, you can't imagine how much work goes in to making the SDP a success. From the Meeting to the Training, Web Pages to Newsletters, Current Issues to the Journal - not to mention Certification and the overall administration of the Society - a tremendous number of volunteer hours are spent making the whole SDP experience appear effortless. While the volunteers don't do what they do for recognition but simply in dedication to the Society, I am sure a pat on the back by members who benefit from their work would be much appreciated.

I look forward to seeing you in Rapid City.

Dane



**2007 Annual Conference & Training**  
**Rapid City, South Dakota**  
**September 23-28, 2007**

**SDP EXECUTIVE BOARD****Officers**

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<b>Ethics and Standards</b> .....	<b>John Wiedmayer</b> Gannett Fleming, Inc (610) 650-4071
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<b>Web Page</b> .....	<b>Louis Walters</b> Verizon (972) 718-7350

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**Newsletter Publisher** .....
 **Rod Daniel** Phone: (505) 867 - 9513 FAX: (505) 867 - 0917 Email: sdp@his.com |

**2007 SDP Annual Meeting**

By Donna Hobkirk

This year will mark “*twenty-one-derful*” years of the Society. Last year, we saw 20 years of SDP history and were reminded of how the Society has grown and how much it has accomplished. I hope you will join us as we start our next twenty years.

This year’s meeting will be held in Rapid City, South Dakota at the Rushmore Plaza Holiday Inn on September 23<sup>rd</sup> through 25<sup>th</sup>, followed by optional training for the remainder of the week.

Rapid City is the “Gateway to the Black Hills” which provides many intriguing and beautiful sites, including Mt. Rushmore National Monument and Crazy Horse Memorial, which are listed in the National Geographic Traveler’s **Top 50 Places to Visit**.

You wouldn’t do much research about Mount Rushmore before coming across discussions of the “Mount Rushmore” argument dealing with intelligent design creationism (IDC) or of Roosevelt’s glasses and illusions.

In keeping with Mount Rushmore and illusions, don’t miss a special presentation on “**Depreciation – Perception or Illusion?**”

**Other agenda items for this year’s meeting**

*Wall Street’s View of Utilities*, Michael Haggarty, Moody’s

*Broadband Convergence – Where We’re Going and What It Means*, Larry Vanston, Technology Futures, Inc.

*Life Cycle Modeling – How It Can Help You*, Steve Barreca, BCRI Valuation Services

*Accounting Update*, Dr. John Lacey, California State University

*Ethics for the Accounting Professional*, TBD

*GASB 34*

*Open Forum*

*Concurrent Industry Breakouts*

Energy

Telecom

Canadian Issues

There will be a welcome reception held Sunday evening, September 23<sup>rd</sup>

The Society will host a Monday evening reception and dinner at the Visitor’s Center at Mount Rushmore.

## **SDP 2007 TRAINING**

Susan Jensen, Ph.D., CDP

The SDP is pleased to offer the following concurrent courses **Sept. 25-28** immediately following the *2007 Annual Meeting*. The courses range from an **overview of basic depreciation topics** to an **in-depth study of life and salvage analysis** to an **overview of the depreciation study process**. We encourage you to choose the course that best fits your needs. *Past trainees are welcome to retake courses* because we are constantly adding new segments to meet your needs.

### ***Depreciation Basics***

This hugely popular course provides an introduction to *Plant and Depreciation Accounting, Data Requirements and Collection, Simulation Life Analysis, Actuarial Life Analysis, Life Cycle Analysis, Technology Forecasting, Gross Salvage and Cost of Removal Analysis, and Depreciation Models*.

### ***Life and Net Salvage Analysis***

This course includes in-depth study of *Actuarial and Simulation (e.g., SPR)* life analysis models. We will continue with the well-received classes *Gross Salvage and Cost of Removal* and *FAS 143 – Handling Retirement Obligations*. At your request, we have *e x p a n d e d* the *Life Cycle Analysis and Technology Forecasting* class to a *full day!* And *new this year*, 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. S. Jensen based on your qualifying experience or courses**.

### ***Preparing and Defending a Depreciation Study***

After a review of life, salvage, and depreciation models, this course focuses on *Choosing 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 AND for managers wanting an overview of the depreciation process. The **prerequisites** for this course are the **Depreciation Basics AND Life and Net Salvage Analysis** courses **OR permission from Dr. S. Jensen based on your qualifying experience, courses, or objectives**.

Courses begin at **1:00 PM Tues., Sept. 25, and end by noon Fri., Sept. 28**. Ample opportunity is provided during class and at evening receptions to talk with the expert instructors and fellow attendees from utilities, government commissions, and consulting firms.

***Space is limited so be sure to register early!*** You will receive up to **22 CPE** credits for each course. Detailed information is available on our website [www.depr.org](http://www.depr.org) under the **Training** button. You may also contact us at [sdp@his.com](mailto:sdp@his.com) or 505-867-9513 (voice); 505-867-0917 (fax). We look forward to hearing from you and seeing you in September!

**Earn CPE Credits**

Rod Daniel

Attendees at the 2007 SDP Annual Meeting and/or Training can receive CPE credits. The Society of Depreciation Professionals is a registered sponsor on the National Registry of CPE Sponsors through the National Association of State Boards of Accountancy (NASBA). Status as a registered sponsor affirms the Society's commitment to adhere to standards for the delivery of high quality continuing professional education. All participants in the 2007 SDP Annual Meeting and Training will be receiving official certificates for their CPE credits. Those attending the Annual Meeting will receive up to 12 CPE credits, and those attending Training will receive up to 22 CPE credits.

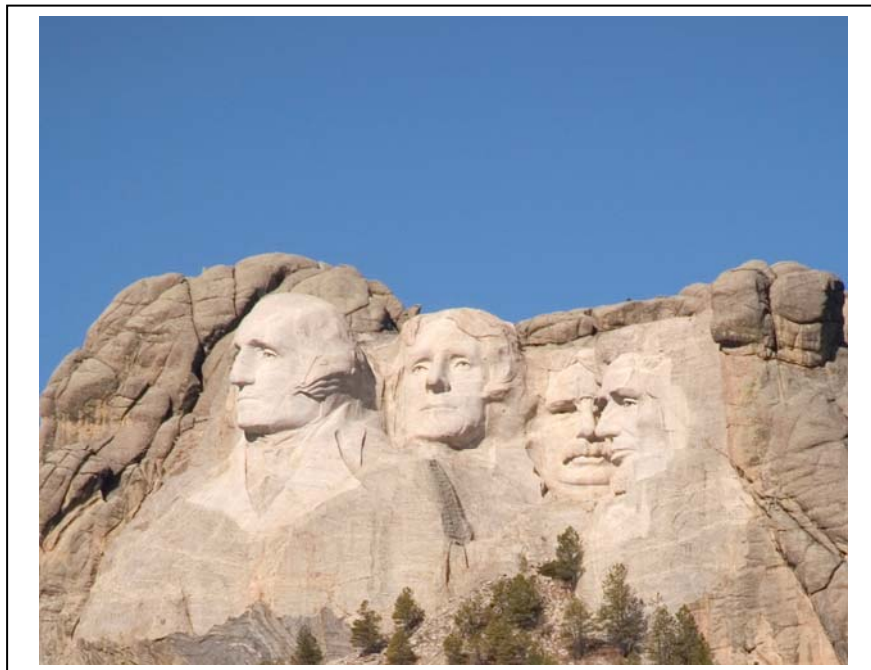
**Rapid City – Not Your Run of the Mill Town**

Rod Daniel

Powwows. Buffalo safaris. The continent's tallest mountain this side of the Rocky Mountains. This isn't your average, ordinary, run-of-the-mill town. That's because Rapid City lies on the edge of the legendary Black Hills, where you can explore two of the longest caves on the planet, hike around the four faces of Mount Rushmore and scale the sheer granite walls of the Needles – and that's just your first day.

After all, when you're in the middle of the world's highest concentration of public parks, monuments and memorials, there's always something new to experience, from the otherworldly moonscape of the Badlands and the mystery of Devils Tower to more than two million acres of ponderosa forest.

Throw in world-class museums, private wildlife attractions, family amusement parks, fantastic shopping and great restaurants, and you've got more than a vacation. You've got adventure. To find out more information on the many exciting adventures awaiting you in Rapid City, go to [www.visitrapidcity.com](http://www.visitrapidcity.com).



**Society of Depreciation Professionals**  
**MEETING, TRAINING, & CDP EXAM REGISTRATION FORM**  
**21<sup>st</sup> Annual Meeting, September 23-28, 2007**  
**Rushmore Plaza Holiday Inn, Rapid City, South Dakota**  
**Early Registration Deadline: August 22, 2007\***

**2007 SDP ANNUAL MEETING REGISTRATION**

*The Annual Meeting will begin with a welcome reception Sun. evening, Sept. 23<sup>rd</sup>, and end by noon Tues., Sept. 25<sup>th</sup>*

	<b>SDP Member</b>	<b>Nonmember</b>	
Attendee	<b>\$295</b>	<b>\$345</b>	\$ _____
Guest (Includes evening receptions Sun. & Mon.)	<b>\$ 50</b>	<b>\$ 50</b>	\$ _____

**SDP MEMBERSHIP**

2007 Dues	<b>\$ 50</b>	<b>\$ 50</b>	\$ _____
2008 Dues	<b>\$ 50</b>	<b>\$ 50</b>	\$ _____

**SDP TRAINING REGISTRATION**

*The SDP Training will begin at 1:00 PM Tues., Sept. 25, and end by noon Fri., Sept. 28. Trainees may earn up to 22 CPEs per course. **Space is limited so early registration is advisable.***

Select **ONE** of the following three courses. Please note that two of the courses have prerequisites and one course (*Life and Net Salvage Analysis*) asks you to make an additional selection.

\_\_\_ ***Depreciation Basics***

\_\_\_ ***Life and Net Salvage Analysis*** (Prerequisite: the *Depreciation Basics* course **OR** permission from Dr. Susan Jensen, [DrSDJensen@aol.com](mailto:DrSDJensen@aol.com), based on your qualifying experience/courses/objectives.)

*This course includes concurrent sessions. You will be able to take two of these sessions. Please select the TWO sessions you would like to attend:*

\_\_\_\_\_ *Actuarial Analysis*      \_\_\_\_\_ *Simulation Analysis*      \_\_\_\_\_ *Life Cycle Analysis & Technology Forecasting*

\_\_\_ ***Preparing and Defending a Depreciation Study*** (Prereqs: *Depreciation Basics* AND *Life and Net Salvage Analysis* courses **OR** permission from Dr. S. Jensen based on your qualifying experience/courses/objectives.)

(Use lower rate if you are also registering for the Annual Meeting)

	<b>SDP Member</b>	<b>Nonmember</b>	
First registrant from a company	<b>\$825 / \$750</b>	<b>\$925 / \$875</b>	\$ _____
Each <b>additional</b> registrant from same company	<b>\$750 / \$675</b>	<b>\$925 / \$875</b>	\$ _____
Registrant from State/Federal Commission	<b>\$750 / \$675</b>	<b>\$925 / \$875</b>	\$ _____
Guest fee (Includes evening receptions Tues/Weds/Thurs)	<b>\$50</b>	<b>\$50</b>	\$ _____

**CDP EXAM REGISTRATION**

Certified Depreciation Professional Exam	<b>\$100</b>	<b>\$100</b>	\$ _____
Select an exam session: ___ Weds. 8:00 AM OR ___ Fri. 1:00 PM			

**LATE FEE**

* <b><i>Late Fee after August 22</i></b>	<b>\$ 50</b>	<b>\$ 50</b>	\$ _____
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**TOTAL (Annual Meeting, Membership, Training, CDP Exam, Late Fee)**

**\$** \_\_\_\_\_

**PAYMENT**

Name: \_\_\_\_\_

Title: \_\_\_\_\_ Company: \_\_\_\_\_

Address/City/State/Zip/Country: \_\_\_\_\_  
\_\_\_\_\_

Phone: \_\_\_\_\_ FAX: \_\_\_\_\_ E-mail: \_\_\_\_\_

 Check (payable in US dollars to: Society of Depreciation Professionals) Visa/MasterCard/AmEx Card # \_\_\_\_\_

Exp. \_\_\_\_\_ Signature \_\_\_\_\_

 Please check here if you need special assistance. Someone from the Society will contact you. Please identify any special dietary requirements \_\_\_\_\_  
\_\_\_\_\_**HOTEL INFORMATION**

**Location:** Rushmore Plaza Holiday Inn  
505 North Fifth Street  
Rapid City, SD 57701

For room reservations, call (800) 315-2621 or call the hotel directly at (605) 348-4000 and request the Society of Depreciation Professionals rate of \$119 for a two room suite, \$99 for a one room suite, or \$89 for a standard room.

**Hotel reservation deadline:** Room availability at the conference rate is guaranteed until **August 22**.

**Return this form to:**

SDP  
8100-M4 Wyoming Blvd NE #228  
Albuquerque NM 87113  
505/867-9513  
Fax: 505/867-0917, [sdp@his.com](mailto:sdp@his.com)

Cancellations prior to August 22, 2007 will receive a refund, minus a \$50 processing fee. After August 22, 2007, any fees paid for an individual who cannot attend the annual meeting or training will be applied to the 2008 annual meeting or training. For information regarding refund, complaint and program cancellation policies, please contact our offices at 505/867-9513.

The Society of Depreciation Professionals is registered with the National Association of State Boards of Accountancy (NASBA) as a sponsor of continuing professional education on the National Registry of CPE Sponsors. State boards of accountancy have final authority on the acceptance of individual courses for CPE credit. Complaints regarding registered sponsors may be addressed to the National Registry of CPE Sponsors, 150 Fourth Avenue North, Nashville, TN 37219-2417. Website: [www.nasba.org](http://www.nasba.org)

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## Thanks to These Contributing Members

### SDP Sustaining Members

AUS Consultants  
PowerPlan Consultants

### Business Patron

E. Wotring Associates, Inc.

### Individual Patron

Dr. Susan Jensen. CDP

### SDP Friends

John Lamparello

## **Obtaining Consistency Among Depreciation Rate Calculation Parameters**

John S. Ferguson, CDP

My article, *The Influence of Growth and Cost Escalation on Depreciation Accounting*, in the [Fall 2006 Newsletter](#) explains why growth and cost escalation can cause average service lives and net salvage factors to be inconsistent with each other. This article provides some thoughts on how to obtain the consistency appropriate for depreciation rate calculation purposes.

When growth and cost escalation cause the age of the retirements reflected in salvage and cost of removal expressed as a percentage of the original cost of the salvaged and removed or abandoned property (factors) and the data for analysis of past experience are not aged, it is likely that the age of the retirements is different from the average service life or probable life determined to be applicable to the property group. My experience with the property of energy utilities is that the age of retirements is typically less than the average service and probable lives. When this situation occurs, the salvage factors indicated by past experience will overstate the factors that can be expected upon retirement of the surviving property and the indicated cost of removal factors will understate the expected factors. I have encountered several approaches for adjusting for this situation.

One approach is to utilize Handy-Whitman cost indices to trend the retirement amounts back to an age equal to the average service life when whole life depreciation rates are utilized or back to an age equal to the average probable life when remaining life rates are utilized, followed by recalculating the factors using these trended amounts. This approach has the advantage of relying upon known rates of cost escalation.

An approach that has the disadvantage of requiring future cost escalation rates to be estimated

is to inflate the experienced factors from the age of retirements to an age equal to the average service life or equal to the average probable life. A similar approach is to utilize trending to eliminate the effect of past cost escalation, followed by adding back the cost escalation expected to be experienced by the surviving property upon retirement.

These three approaches are appropriate whether the age of retirements is less than or more than the average service and probable lives. They work better for cost of removal than for salvage, because cost of removal is primarily affected by cost escalation. The approaches do not work well for salvage, because of the influence of the age of retirements on the mix between the high salvage value of relatively new items that are reused and the low salvage value of older items that are scrapped. Therefore, applying these approaches only to cost of removal and adopting the salvage factor indicated by the past experience may be deemed appropriate.

It is not difficult to determine whether the age of retirements differs from the average service or probable life. I have encountered software packages that make such calculations when aged retirements are utilized for life analysis purposes. I have not encountered such calculations when unaged data are utilized, but they can easily be made by applying a retirement frequency curve to the annual gross additions used for the Simulated Plant Record method of life analysis.

When the data for salvage and cost of removal analysis are aged, thereby causing the results of analyses to be curves and not merely points on the curves, adjustments such as these are not necessary. For this situation, the factors appropriate for whole life and remaining life rate calculations can be determined directly from the curves or the curves themselves can be incorporated into the depreciation rate calculations. However, I have observed aged data to be quite rare and to not be utilized for depreciation study purposes.

Society of Depreciation Professionals  
8100 - M4 Wyoming Blvd NE #228  
Albuquerque, NM 87113

**SOCIETY OF DEPRECIATION PROFESSIONALS**

8100 - M4 Wyoming Blvd NE #228 Albuquerque, NM 87113

**INVOICE**

**MEMBERSHIP DUES JANUARY 1, 2007 – DECEMBER 31, 2007**

Name \_\_\_\_\_

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

Address \_\_\_\_\_

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

**Dues:**

Member		\$50	\$ _____	New _____	Renewal _____
Sustaining Member	@	\$750	\$ _____	New _____	Renewal _____
Business Member	@	\$300	\$ _____	New _____	Renewal _____
Patron Donation	@	\$200	\$ _____	New _____	Renewal _____
Friends Donation	@	\$100	\$ _____	New _____	Renewal _____