



SAVE THE DATES

We are excited to share that the 2021 SDP Conference and Training will return this year online. We will also offer the popular Open Mic Forums! Our format will be similar to the successful 2020 programming with the same excellent faculty and speakers. A detailed schedule will be shared soon; until then, please save the dates on your calendar.

SDP OPEN MIC FORUMS:

Summer Series in June, July, and August

SDP ANNUAL CONFERENCE:

Monday, September 13 and Tuesday, September 14

SDP TRAINING:

*Starting Wednesday, September 15 through
Thursday, November 18 on select days
Details to follow*

MESSAGE FROM THE PRESIDENT

“Obstacles don’t have to stop you. If you run into a wall, don’t turn around and give up. Figure out how to climb it, go through it, or work around it.” – Michael Jordan

This quote from Michael Jordan best describes the SDP Board of Directors and trainers when preparing for the 2020 conference and training this past year. Everyone worked together to provide this new opportunity of virtual training which has never been done before in the Society’s existence. This year is looking like it will provide similar challenges as 2020. The SDP Board of Directors has made the decision for the 2021 Conference and Training to be virtual again this year. We will move back to an onsite conference in 2022 that will be in Phoenix, AZ.

Vice-President, Gerrilynn Wolfe, is working to put together an outstanding conference this year. The conference will be longer than last year due to the valuable feedback we received from our members. We will continue with the Open Mic Forums (OMF) as well. There will be emails in the coming months with more information around the conference and training schedules. We look forward to the topics that will be discussed this year.

I would like to give a big thank you to many people: SDP Board of Directors for changing the strategy as the 2020 progressed, SDP trainers for making the training sessions virtual so people continue to learn about survivor curves and group depreciation, and most of all the SDP members for continuing to attend and renew their membership. Last, but not least, are our great sponsors that continue to show support and allow us to bring a different perspective in getting their name to our members. We are grateful for your continued support of the Society and I look forward to 2021.

Kevin Easterling, CDP
SDP President

SDP TRAINING

DR. SUSAN JENSEN, CDP, TRAINING CHAIR

SDP trainers readily accepted the challenge of converting one week of in-person training to **nine weeks of online training**. This repackaging of our training enabled us to fulfill our mission to provide depreciation education and training while keeping you safe.

"It is an intimidating field to work in and being able to attend this training provides confidence, resources and tools to do my job."

Registrants appreciated the efforts of our dozen SDP experts with hundreds of years of combined experience. Over 90%

"Great training, unavailable anywhere else! Will be back with more reps from my team!"

"Appreciate the trainers' experience and wealth of knowledge which you cannot get from instruction manuals."

of responses to our survey questions rated our training *Excellent* or *Good*. Trainees benefited from our exceptional 8:1 ratio of trainees to faculty, giving trainees the best learning experience in the industry.

Courses were taught by two or more trainers, giving registrants different perspectives and setting us apart from "sole trainer" offerings. Courses applied depreciation methodologies to real-world data, making the skills acquired readily transferable to the workplace.

"Combo of trainers made for a very informative and entertaining class."

5-hour Online Courses (6 CPEs)

2020 Fall Training began with our popular 5-hour courses (previously offered on Sunday before the Conference). The following courses were offered on Tuesdays and Thursdays at 11:00 AM Eastern using WebEx virtual platform, which worked well for our registrants.

"Connecting was easy and the format was good."

Introduction to Depreciation provided an overview of depreciation topics and good preparation for the CDP

"Intro classes were effective and provided a good background."

Exam. The course began with a discussion of the importance of depreciation and included segments on

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group depreciation accounting, life and salvage analysis, and annual and accumulated depreciation calculations. This course was so popular that we offered two sessions!

Depreciation and Ratemaking Issues included a class on utility regulation and the **new class** Depreciation for Assets in Transition. A panel of experienced experts shared tips for testifying and pitfalls to avoid. The course ended with a panel discussing current issues of interest to attendees. **We plan to modify the course each year for repeat attendees.**

10-hour Online Courses (12 CPEs)

We repackaged our previous Extended Training courses into the following 10-hour courses on Tuesdays and Thursdays at 11:00 AM Eastern.

Life Analysis Methods and Applications was a **new course** created in 2020 to explain and probe life analysis models. After a brief review of actuarial and simulation life analysis models and some of their pitfalls, registrants applied the models to real-world property data and benefited from trainers' insights into interpreting the results of the models. A popular class examined the engineering reasons that cause assets to fail or be replaced and the resulting removal cost.

"Classes were good--thank you for holding them. Instructors always top notch in the industry!"

Depreciation Fundamentals provided an overview of depreciation topics and good preparation for the CDP Exam. Registrants included professionals preparing

depreciation studies as well as managers seeking an overview of the segments of a depreciation study.

"All classes were very helpful for a novice in the field. I look forward to taking classes in the future."

Analyzing Net Salvage in the Real World examined how gross salvage and cost of removal are recorded to accumulated depreciation, analyzed using statistical techniques, estimated for mass and life-span properties, and reflected in accrual rates.

"Instructor did an excellent job."

"Net salvage is a very timely topic. Highly recommend this course."

Electives

In 2020 we offered as Electives the classes that could not fit into our 10-hour courses. Taking a 10-hour course together with its recommended electives gave registrants

all topics that were included when the Extended Course was offered in person. As an added benefit, registrants in a 10-hour course could register for any elective below so registrants were able to sample content from courses they may want to take in 2021.

- Plant and Depreciation Accounting - Introduction
- Reserve Imbalances and True-Up
- Life Cycle Analysis
- Technology Forecasting
- Plant and Depreciation Accounting - Intermediate
- Depreciation Studies - Steps to Perform in Preparing the Study
- Depreciation Studies - Pitfalls to Avoid in Preparing the Study
- Evolution of Depreciation Regulation & the Iowa Curves **NEW!**¹
- Age/Inflation Adjusted Analyses - Overview and Calculations
- Age/Inflation Adjusted Analyses - Using Salvage Data and Workshops

¹ This course was also available to registrants in a 5-hour Course.

We have trained an impressive 1,389 professionals since training began in 2003! Look for information about our new 2021 Training later this year on our website.

"Excellent presenter - very enthusiastic, engaging, and easy to follow."

"Instructor did a great job. Really appreciate when she shared her real-life experiences."

"Class exercise was super engaging, fun, and relevant."



OPEN MIC FORUM

SUMMER SERIES

June, July, and August - Dates TBA

RETURNS!

COMING SOON

A TRIBUTE TO PROFESSOR JAMES C. BONBRIGHT AND PRINCIPLES OF PUBLIC UTILITY RATES

by The Honorable Branko Terzic ¹
Founding Member SDP

Professor James C. Bonbright described himself as “an economist, alike in the university classroom, as a public official, and as a participant in disputed rate cases.” Yet, in truth, he was much more than that. His November 14, 1985 obituary in the New York Times described him as the ex-head of the Power Authority of New York and professor emeritus of finance at Columbia University. It cited his authorship of several books including the two-volume 1937 work “Valuation of Property” and his last book “Principles of Public Utility Rates” published in 1961. Yet, that too was inadequate to describe his legacy initially to the citizens of the United States and later to the world.

The legacy of James C. Bonbright includes the recognition that vital public services – electricity, natural gas, telephone, water, railroads and other public utilities - could only be made available when “reasonable public utility rates” were established. His complete legacy, and gift to civilization, was to establish a cogent, practical and simple guide to use in creating “reasonable rates” in his Principles. Bonbright recognized that while the objective, “reasonable rates” sounded simple, the implementation, while difficult, was achievable if certain criteria were met. He reminded government officials and industry leaders that “...to a substantial extent, sound ratemaking policy is a policy of reasonable compromise among partly conflicting objectives.”

The assertion that Bonbright’s impact has been continuing, consistent and international is easily confirmed via the availability of the search functions on today’s Internet. While not all which is available on the internet is true, in this instance I can state that my own four decades of regulatory observation and experience confirms what the Internet search uncovers. This is that Bonbright’s insights and guidance are still cited as authority and his principles still applied, throughout the world, wherever private capital is called upon to finance public utility infrastructure.

Allow me to cite a few examples. I believe that many of us in this room, regulators and regulated, will recognize from our own experience, this question by learned counsel from the transcript of a November 7, 2006 electric utility case before the Florida Public Service Commission,

Question: “... are familiar, with the noted author Professor James C. Bonbright, as well, are you not?” ²

There could be only one possible answer from any truly “expert” witness, in utility matters, to such a question and that is “yes”.

Today regulators, utility executives and rate consultants around the world will also recognize the familiar sound of the following text submitted by counsel for the City of Kitchener in an Ontario Energy Board natural gas proceeding:

“The Board and other stakeholders may wish to review and consider Professor James Bonbright’s Principles of Public Utility Rates” ³

Yes, they and any other public utility regulatory body certainly should, and likely would, consider the lessons available in Principles.

Moving across both Atlantic and Pacific oceans from Europe to New Zealand, this US audience will also recognize the following recommendation offered in New Zealand in the testimony of the former Director General of Electricity Supply for Northern Ireland Geoffrey Horton:

“These considerations also underlie the Bonbright principles, which are widely cited in United States regulation. These involve three primary criteria; Capital attraction; which takes the form of a reasonable return for private utility companies; Consumer rationing, under which rates are designed to discourage wasteful use and promote all use that is economically justified; and Fairness.”

Bonbright’s “principles” thus have spanned time and continents.

His insights into the nature of utility ratemaking came from his earlier work in the valuation of property. An initial question in regulation of private capital dedicated to public service industry was the valuation of the rate base to be used for ratemaking purposes. In his 1937 book Valuation of Property Bonbright is said to have successfully “... attempted to integrate the value theories of the land economists with those of the financial economists. He recognized that the common element in these theories was that the analyst is attempting to value property rights – or the bundle of legal rights and economic benefits related to property ownership (regardless of whether the property is real or personal, tangible or intangible.” ⁴

...Continued from Page 4

A core concept of public utility rates, when provided by private enterprise, is that of the recognition of the right of private capital to fair profit. It was Bonbright's expertise as an economist and professor of finance which lead him to believe that this could be done effectively without resort to complicated fair value methodologies and could be approached by application of his rate-making principles to original cost accounting records. This recognition resulted in his taking the lead nationally in advocacy for the "original cost" method of ratemaking. The significance and controversy over this battle between original cost and "fair value" is easily overlooked but still echoes today at various times. For example, it is frequently discussed in former centrally controlled economies seeking to privatize government established public utilities and attract private investment for the modernization and expansion of this vitally needed infrastructure.

Writing in the Energy law Journal as recently as 1991, Henry Kilpatrick and Dennis Melvin remind us that

*"...the battle between the fair value forces, led by Harry Gunnison Brown and the original cost proponents, who had James C. Bonbright as their chief spokesman, was probably the hardest fought battle in regulatory history. The arguments raged throughout the 1920's and 1930's. The proponents of original cost ratemaking seemed to carry the day with the Supreme Court issuance of the Hope decision in 1944. However, economic issues do not die easily."*⁵

The results of Bonbright's rate base victory, with the Hope decision, and the application of his "principles" resulted in the creation of a regulatory system simplified by one less complicated step. The result has been a successful legacy of public utility infrastructure construction and improvement in the US without world parallel.

James C. Bonbright was not an "Ivory Tower" academic remote from the daily lives of the country's citizens. He was an activist, who brought his intellectual and academic knowledge and talents to help the US, and the world, solve practical problems of how to price vital public services. His work endures and is durable to this day. "Principles of Public Utility Rates", an economic tome without a single mathematical formula, chart or diagram remains what it has always been – a useful tool to apply to real world problems. Bonbright's original 1961 text is only a click away and available on the web site of the Society of Depreciation Professionals as well as the University of Georgia's James C. Bonbright Utilities Center. A very successful 1988 updated edition of Principles, co-authored by Bonbright Center founder Emeritus Professor Albert Danielson and Professor David Kamerschen, is also now available in reprint and highly recommended. ♦

¹ Branko Terzic, former commissioner of the FERC and Wisconsin PSC from a speech delivered at the University of Georgia Bonbright Center on October 3, 2007

² DOCKET NO. 060001-EI 658 1 Before the Florida PSC November 7, 2006 FUEL AND PURCHASED POWER

³ RP-2004-0213 Ontario Energy Board Natural Gas Forum Written Submission of the City of Kitchener

⁴ Valuing Intangible Assets by Robert F. Reilly and Robert P. Schweihs

⁵ Henry Kilpatrick and Dennis Melvin ENERGY LAW JOURNAL: Trended Original Cost vs. Depreciated Original Cost [Vol 12:323 1991]

SDP OPEN MIC FORUMS

Dr. Susan Jensen, CDP, Director of Training

In summer 2020, SDP offered five complimentary 1-hour Open Mic Forums to 181 registrants. We created these popular forums as a way to keep in touch with our members. We offered guest passes to Sponsors and, if space permitted, a guest fee to nonmembers.

"This was one of the best forum discussions because the speakers had a dialogue between them."

We hosted these 1-hour forums on select Wednesdays from 11:00 AM to 12:00 PM Eastern. The forums began with a brief presentation by SDP trainers followed by a group discussion among trainers and participants. The attendees appreciated the different perspectives presented by our co-teachers.

It was not surprising that our forums ***sold out*** given that **over 90% of the responses rated our forums good or excellent**. Based on the popularity and timeliness of the topics discussed, we incorporated many of the forum topics into our Fall Training courses and electives. On our website we provided a table mapping forum topics to specific training courses and electives.

"The tips provided and the delivery from the speakers were outstanding."

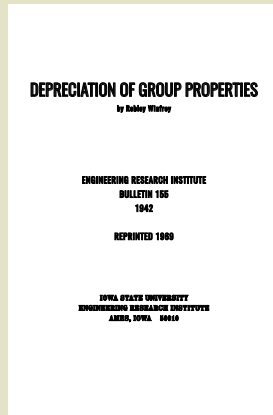
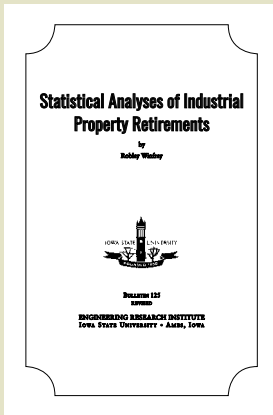
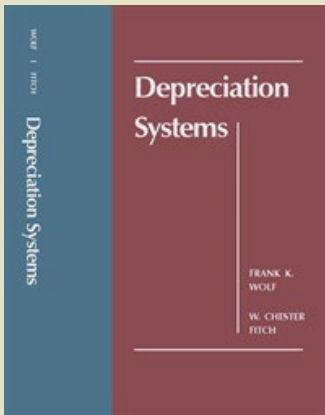
"It was great to touch base with SDP folks again."

The forums offered an excellent opportunity to learn more and share insights with colleagues. We responded to the need for community engagement, which is important now more than ever. ♦

PUBLICATIONS FROM SDP EDUCATION FUND

The Society of Depreciation Professionals (SDP) announced the formation of the SDP Education Fund (Fund) in 2018 to further SDP's purpose as an educational institution. The Fund will help to further the SDP's objectives "... to promote the professional development and professional ethics of those practitioners in the field of depreciation; to collect and exchange information about depreciation engineering and analysis; to provide a national forum of programs and publications concerning depreciation."

The views expressed in the books provided through the SDP Education Fund are those of the authors. These opinions do not necessarily reflect the views of the Society of Depreciation Professionals.



- Depreciation Systems by Frank K. Wolf and W. Chester Fitch - \$50 donation
- Iowa Engineering Experiment Station Bulletin 125, "Statistical Analyses of Industrial Property Retirements" - \$35 Donation
- Iowa Engineering Experiment Station Bulletin 155, "Depreciation of Group Properties" - \$35 Donation

Bulletins 125 & 155 are available through our website with a minimum donation of \$35 each or \$60 for both. A bundle of all three Fund publications is available for \$100. All three of these texts have been out of circulation for a number of years, and we are grateful to the authors and institutions who provided permission to reprint them!

Click the image below to get your copy today, or visit the registration desk at the 2020 SDP Conference and Training to pick up your copies on site.

CLICK HERE to donate and receive a copy of

DEPRECIATION SYSTEMS
A Textbook by Frank K. Wolf and W. Chester Fitch.



FEEDBACK REQUESTED

We are pleased to inform you that the SDP Education Fund is republishing Marston, Hempstead and Winfrey, "Engineering Valuation and Depreciation"! In an effort to ensure we have copies available to all who are interested, please indicate your interest in ordering the text by [filling out this survey](#).

If you would like to be notified when the publications are available, enter your contact information on the survey page. For more information on the Education Fund and the other publications available, [click here](#).

Thank you for your time!

2021 SPONSORS

Our sponsors provide generous monetary donations and donations-in-kind toward making our Annual Conference and Training the successful events that they are. These contributions go towards the many breakfasts, lunches and special events that conference and training attendees enjoy throughout the week.



Alliance Consulting Group is an international consulting firm formed in 2004 to provide professional and expert witness services to utilities. Since 2004, Alliance Consulting Group has conducted over 200 depreciation studies for regulated and non-regulated clients across nearly all utility segments. We have filed testimony more than 35 states as well as FERC. Alliance Consulting Group is led by Managing Partner Dane Watson who is actively involved in the day-to-day operations and is their primary Expert Witness. We currently have three full-time Senior Consultants, Dr. Karen Ponder, Ms. Rhonda Watts, and Ms. Rebecca Richards, as well as other support staff. Alliance Consulting Group is dedicated to providing quality consulting and expert services to the utility industry. Our professionals have over 115 years of combined experience around the utility industry, and we have been employed in the industry as utility employees, managers and consultants.



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Concentric Advisors, ULC is a new Canadian subsidiary of Concentric Energy Advisors, located in Calgary, Alberta. Concentric Advisors possesses expertise in numerous aspects of the power, natural gas, oil pipeline, telecom, water, and railway industries with a focus on depreciation and valuation



Regulated Capital Consultants was formed in 2010 with the purpose of providing rate-regulated and asset-intensive industries with a trusted advisor, offering accounting, tax, regulatory, and IT departments with systems advocacy services and internal resource support. RCC's consultants combine their knowledge of accounting, tax, and regulatory processes with deep technical expertise to provide customers with results that are accurate and actionable. With unparalleled experience in the industry, RCC's expert consultants add immediate value to every project.

RCC consultants specialize in providing solutions to meet the unique requirements of the rate-regulated and asset-intensive industries. From the west coast to the east coast, and just about all the investor-owned utilities, railroads and telecoms in between, RCC consultants have spent time consulting and creating, planning, managing and implementing no-nonsense data and process solutions. Along the way, RCC has had the opportunity to work side by side with great software innovators as well as industry leaders within an ever-changing economic, business, regulatory and technology environment.

RCC continues to focus on the capital asset lifecycle's impacts on fixed asset accounting, income tax compliance and accounting, rate-making, and technology. RCC believes in a cross-functional approach to enable clients to build a best-in-class accounting and systems process that meets customers' internal and external requirements. In order to maintain the high levels of service for which it is known, RCC continues to invest in attaining and retaining all the functional knowledge and technical skills required to plan and execute proven solutions for the most challenging situations.

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