

PUBLIC UTILITIES: THEIR FAIR PRESENT VALUE AND RETURN

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Public Utilities: Their Fair Present Value and Return by Hammond V. Hayes

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HAMMOND V. HAYES

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VALUE AND RETURN**

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THEIR
FAIR PRESENT VALUE
AND RETURN

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PREFACE

THE present volume is intended to supplement a previous study, made by the writer, of the methods to be pursued in the valuation of the property of public utilities, by entering into a discussion of the line of reasoning which must be followed by those whose duty it is to ascertain the fair present value of a property after an appraisal has been made and all necessary information has been obtained.

Likewise the subjects of going value and depreciation have been considered at some length with the hope of removing some of the present misunderstanding that exists relative to these two subjects.

It is realized that the sequence of the subjects treated in the several chapters of the present work is not as logical as it might be as, under ordinary circumstances, it would have been better to have explained the full meanings of replacement cost, actual original cost, going value, and depreciation before taking up the discussion of the subjects of fair present value and fair rate of return. It was felt, however, that much of the present controversy on the latter subjects arises from attempts of partisans on the part of the public or on the part of the utilities to advocate the methods of valuation which will produce a value conforming with their personal interests. It is hoped that, by first clearly defining the significance of fair present value, many of the objections frequently raised to certain features of valuation herein advocated may be removed.

The present study advocates the use of a method of valuation somewhat different from those that have been pursued in the past in that the use of overhead charges has been reduced to a minimum. All who have had experience in making valuations to find the replacement cost of a property know upon what little evidence most claims for the percentages added as overhead charges are based. It is felt that nothing has brought greater discredit upon otherwise careful work in appraisals than the arbitrary addition of percentages to represent overhead charges. It is believed that the method, which will be described in the following pages, of caring for the costs usually claimed as overhead charges will tend to greater accuracy and will eliminate much future controversy.

HAMMOND VINTON HAYES

BOSTON, MASS.,
December 1, 1914

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