

VALUATION, DEPRECIATION AND THE RATE-BASE

CHAPTER I

INTRODUCTION AND GENERAL NOTES

Conflicting Views Relating to Procedure. — The need of harmonizing the conflicting views relating to the best methods of dealing with the establishment of rates that are to be charged by public service corporations for the service which they render or for the commodity which they supply is recognized by economists and engineers. This need is the more pressing in view of the fact that the public, in exercising control over the operation of the utility through properly constituted authority, may and no doubt frequently has established onerous and burdensome regulations, resulting at times in the confiscation of property. At any rate the limitations relating to permissible charges have frequently been such that the question of the reasonableness and sufficiency of these charges has been taken into court and the courts have reached certain conclusions from which there is apparently no appeal but concerning some of which the wisdom of permanent enforcement may well be called in question.

Rapid progress is being made in recognizing the fundamental principles which should control when an appraisal of public service properties is to be made as a basis for the establishment of rates for service rendered. This subject is, however, today still in a controversial stage. The assembling of facts relating to such fundamental principles as will be of service to the appraisers of operating plants of any character, whether used