

ing or heating and ventilating system, include costs of electrical work, plumbing, miscellaneous piping, building alterations, cutting, patching, furring in of ducts or pipes, foundations, structural supports, remodeling or redecorating after installation, consulting engineer's fees, licenses, permits, etc. These vary so widely that no approximations are possible, and each case must be considered alone.

The length of the amortization period to be used depends upon: the type and remaining life of the building or space for which the system is to be used; the type of equipment to be employed as a part of the system; the character of the business; and the lease or ownership conditions.

TABLE 3. OWNING AND OPERATING COST

FIRST COST	ANNUAL SERVICE COST
Cost of mechanical system.....	Electric Power Costs
Other costs.....	Fans.....
First Cost (FC)—Total.....	Pumps—Chilled water.....
ANNUAL FIXED CHARGES	Pumps—Condenser water.....
Amortization—Depreciation period	Pumps—Well water.....
Y years.....	Cooling tower fans.....
Interest rate 1%.....	Cooling tower pumps.....
Amortization and Depreciation	Refrigeration machines.....
FC.....	Miscellaneous or other.....
$\frac{Y}{Y} =$	Gas.....
Interest: $\frac{Y+1}{2Y} \times I =$	Coal.....
Taxes.....	Oil—for boilers or Diesel engines.....
Insurance.....	Steam.....
Rent.....	For Direct Heating.....
Annual Fixed Charges:	For Ventilation—preheaters.....
(Total).....	For Ventilation—reheaters.....
ANNUAL MAINTENANCE COSTS	For Turbine driven equipment.....
Replacement or servicing of air	For Engine driven equipment.....
filters.....	Sewers.....
Outside Maintenance service.....	Charges for discharging water
Water Treatment.....	into public drainage systems.....
Lubricating oil and grease.....	Condenser water.....
Painting for corrosion protection or	Annual Service Costs—
other purposes.....	TOTAL.....
Replacement of worn parts.....	SUMMARY
Refrigerant.....	Annual Fixed Charges.....
Wages of engineer or operator.....	Annual Service Costs.....
Annual Maintenance Cost—	Annual Maintenance Costs.....
TOTAL.....	Annual Owning and Operating
	Costs—TOTAL.....

Depreciation, due to deterioration and obsolescence, must also be considered in arriving at the amortization period. Deterioration and maintenance generally go hand in hand. If a long depreciation period is to be used, then the item for maintenance, repair and replacement of wearing parts must be greater than for a short depreciation period.

An approximation of the useful life of various items of equipment and parts of systems is shown in Table 2. It should be noted that if an appropriate maintenance item is not established, the rate of equipment deterioration may be increased substantially.

Interest

The interest chargeable may be based on the average money rate for the period in which the first cost of the equipment will be amortized.

Owning and Operating Costs

Some accountants do not include interest in the annual fixed charges, as they consider it a negligible item.

The formulas for computing interest and amortization are given in Table 3. This table will also serve as a check list of the various components to be considered in determining owning and operating costs.

Taxes

The taxes chargeable will be the proportion of property tax caused by the increased valuation of the property due to air conditioning.

Insurance

The rate for insurance may vary considerably depending on the type of structure in which the equipment is located and upon other governing factors. A rate of about \$0.60 per \$1,000 may be considered as being representative of normal installations.

TABLE 4. APPROXIMATE MAINTENANCE COST FOR LARGE AIR CONDITIONING INSTALLATIONS, USING HIGH QUALITY EQUIPMENT

	DOLLARS PER TON PER YEAR
Repairs for refrigeration machinery.....	0.96
Refrigerant.....	0.40
Oil and grease.....	0.11
Painting (Water boxes and dehumidifiers).....	0.40
Filters, clean and re-oil 4 times per year.....	1.36
Controls, outside service.....	0.24
Cleaning air conditioners.....	1.19

Rent

If the equipment under consideration is to be located in rented or leased quarters, it may be necessary to include an item for space rental.

MAINTENANCE COSTS

Maintenance costs include replacement parts and the labor required for making repairs, replacing parts, cleaning, painting, etc. It should be noted that major overhauling or complete replacement may restore the capital value of certain items of equipment, and in such cases the costs incurred may not necessarily be charged as maintenance costs. Generally, routine labor requirements will be the function of an operating engineer or staff, and the responsibility of this group may extend beyond the equipment being discussed here; hence, it is important to include only an equitable share of the time of this group. Extraordinary repairs involving special machinery will usually be covered by contract with equipment service divisions, and should be accounted for on that basis.

Many of the items included in maintenance costs are highly variable and depend on the type and quality of the purchased equipment. For