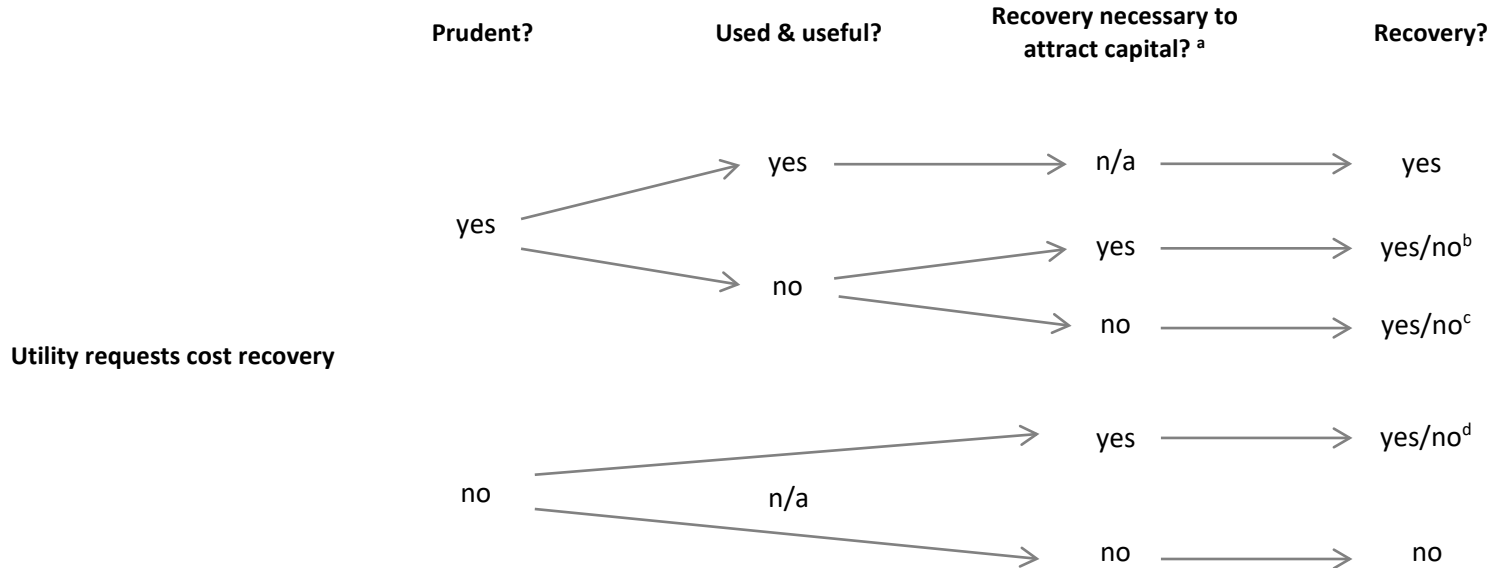


Figure 6
Paths to Cost Recovery



a. *Jersey Central*: Hearing is necessary if utility offers evidence that recovery is necessary for financial integrity; i.e., absent recovery it cannot attract capital or maintain credit.

b. *Market St. Railway*: Constitution does not "insure values that have been lost by the operation of economic forces." But statutes might permit recovery.

c. *Barasch*: Constitution does not guarantee recovery of prudent costs. A statute therefore can allow or disallow recovery of costs that are prudent but not used and useful.

d. Normally, commissions disallow imprudent costs regardless of effect on utility's finances. But some commissions have allowed recovery where disallowance would leave the company unable to serve adequately. See, e.g., *Gulf States Utilities Co. v. Louisiana Pub. Serv. Comm'n*, 578 So.2d 71 (La. 1991).