These actions include:

Immediate Actions:

- Institute a monthly customer service charge to all tariffs in all states in order to recover fixed costs and eliminate the cross-subsidy biases that are created by distributed resources and net metering, energy efficiency, and demand-side resources;
- Develop a tariff structure to reflect the cost of service and value provided to DER customers, being off-peak service, back-up interruptible service, and the pathway to sell DER resources to the utility or other energy supply providers; and
- Analyze revision of net metering programs in all states so that self-generated DER sales to utilities are treated as supply-side purchases at a market-derived price. From a load provider's perspective, this would support the adoption of distributed resources on economically driven bases, as opposed to being incentivized by cross subsidies.

Longer-term Actions:

- Assess appropriateness of depreciation recovery lives based on the economic useful life of the investment, factoring the potential for disruptive loss of customers;
- Consider a stranded cost charge in all states to be paid by DER and fully departing customers to recognize the portion of investment deemed stranded as customers depart;
- Consider a customer advance in aid of construction in all states to recover upfront the cost of adding new customers and, thus, mitigate future stranded cost risk;
- Apply more stringent capital expenditure evaluation tools to factor-in potential investment that may be subject to stranded cost risk, including the potential to recover such investment through a customer hook-up charge or over a shorter depreciable life;
- Identify new business models and services that can be provided by electric utilities in all states to customers in order to recover lost margin while providing a valuable customer service—this was a key factor in the survival of the incumbent telephone players post deregulation; and
- Factor the threat of disruptive forces in the requested cost of capital being sought.

Investors have no desire to sit by and watch as disruptive forces slice away at the value and financial prospects of their investment. While the utility sector provides an important public good for customers, utilities and financial managers of investments have a fiduciary responsibility to protect the value of invested capital. Prompt action to mitigate lost revenue, while protecting customers from cross-subsidization better aligns the interests of customers and investors.

As growth in earnings and value is a major component of equity investment returns, what will investors expect to see as a strategic response from the industry to disruptive forces? The way to realize growth in earnings is to develop profit streams to counterbalance the impact of disruptive forces. Examples of new profit sources would include ownership of distributed resources with the receipt of an ongoing service fee or rate basing the investment and financial incentives for utilities to encourage demand side/energy efficiency benefits for customers. From an investor perspective, this may be easier said than done because the history of the electric utility industry in achieving non-regulated profits/value creation streams has not been a pleasant experience. So, investors will want to see very clear cut programs to capture value that are consistent with the core strengths of utilities: ability to execute construction projects, to provide dependable service with high reliability, and to access relatively low-cost capital.