



Resource Adequacy: Not *Just* Keeping the Lights on

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U.P. Energy Summit

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MICHIGAN PUBLIC SERVICE COMMISSION

ENSURING MICHIGAN'S FUTURE

AFFORDABLE AND RELIABLE ENERGY: *No Regrets* FOR OUR FUTURE

ADAPTABILITY

- We should set a reasonable, achievable, and efficient range of goals for 2025
- Eliminate energy waste
- Reduce coal and replace it with newer, cleaner technologies—natural gas and renewables.



RELIABILITY

- Become a leader in reliability—be in the top quartile for the number of outages, and top half for duration.
- Never experience massive outages due to lack of supply.



AFFORDABILITY



- Residential customers should spend less on their combined energy bills (electric and heat) than national averages.
- Ensure energy-intensive industries can choose Michigan for job and investment decisions, to better compete.

PROTECTION OF THE ENVIRONMENT

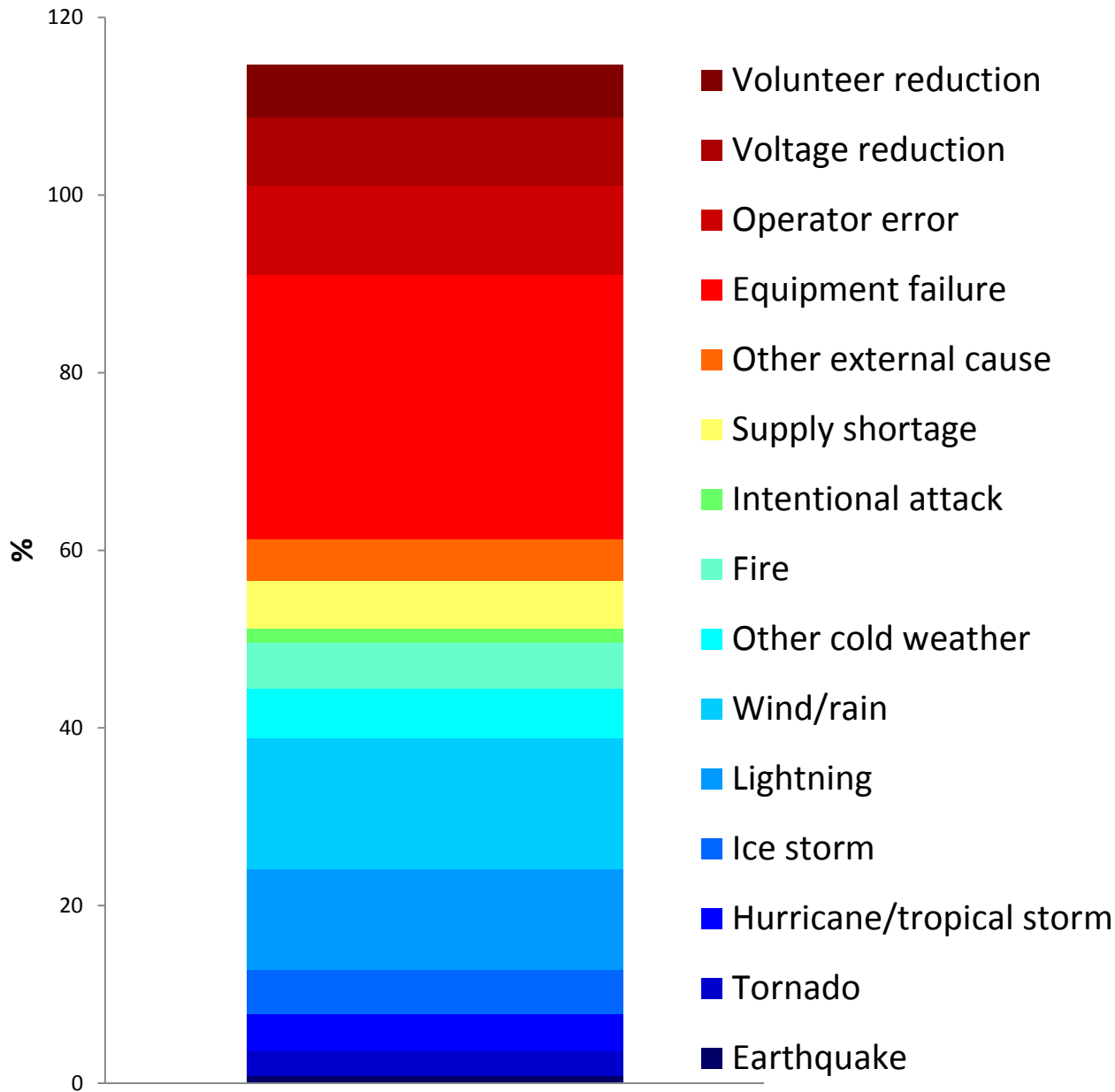
- Michigan's energy generation needs to be part of a healthier future;
 - ▶ **REDUCE** mercury emissions
 - ▶ **REDUCE** pollution that creates acid rain
 - ▶ **REDUCE** particulates in the air for the health of Michigan
- **INCREASE** our renewable portfolio based on relative cost, reliability, and environmental benefits.



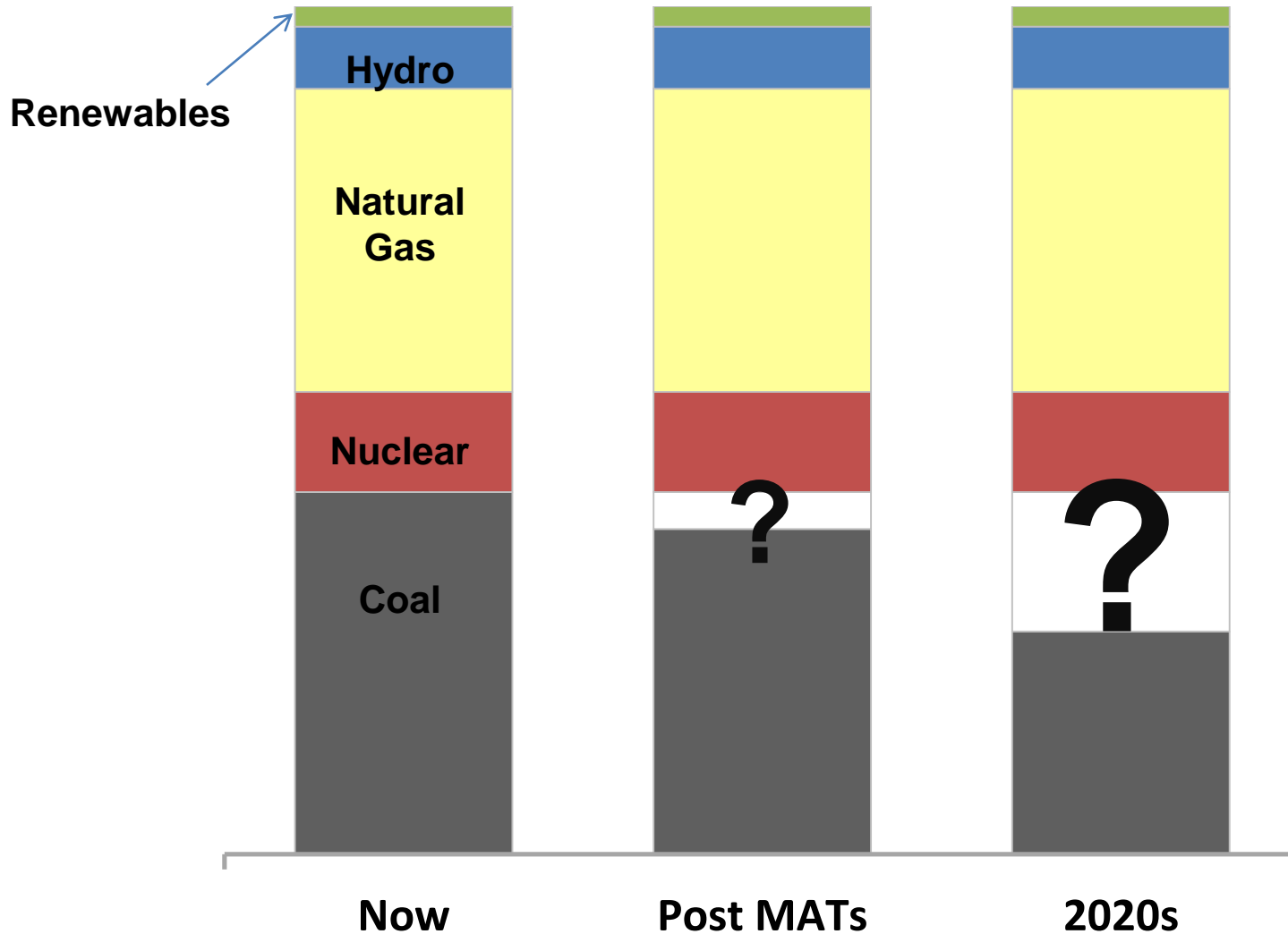
“Never experience massive outages due to lack of supply”

Power Outages

Causes



Source: P. Hines, J. Apt and S. Talukdar. Large Blackouts in North America: Historical Trends and Policy Implications. Energy Policy, v. 37, pp. 5249-5259, 2009

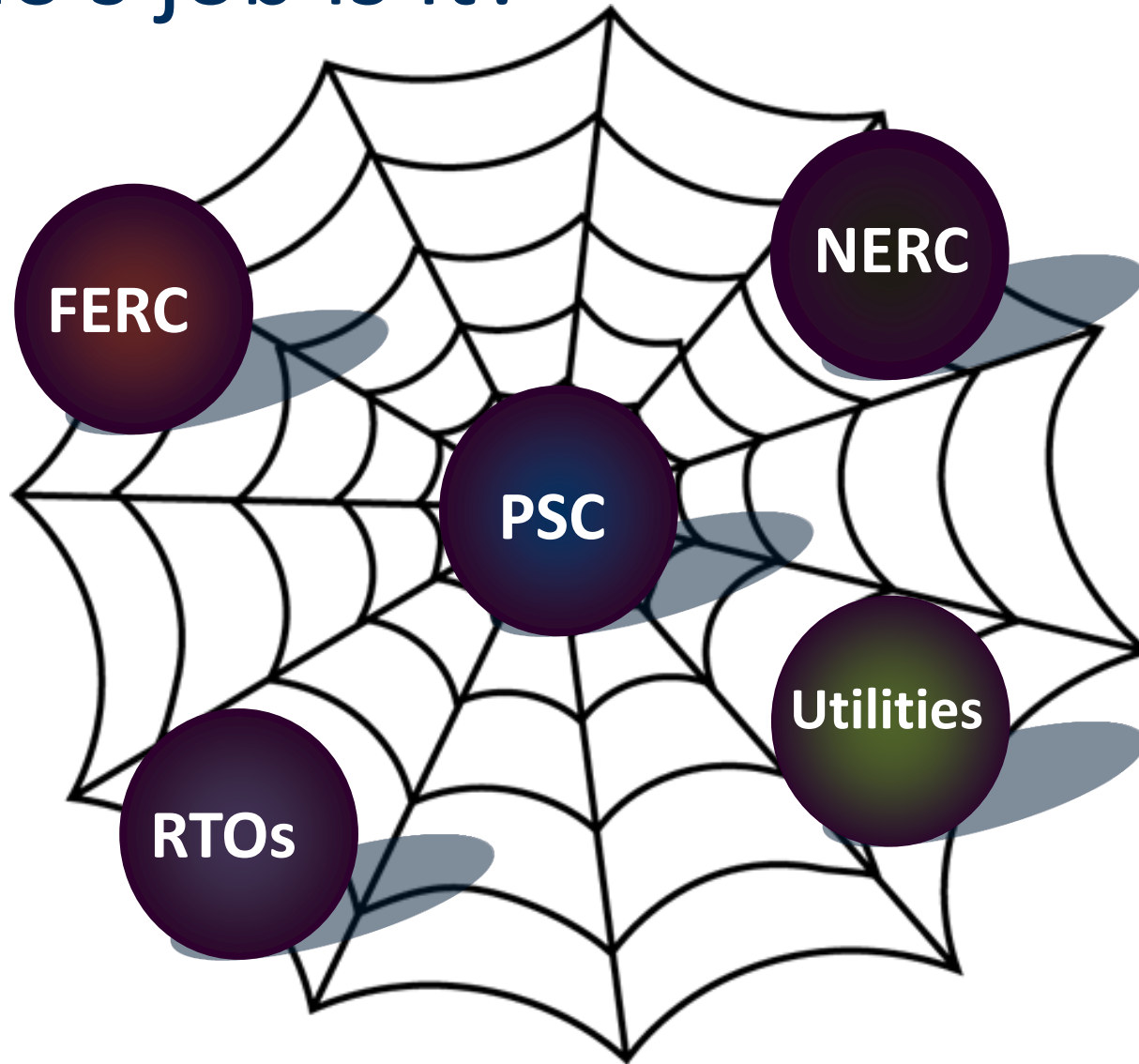


How will Michigan's capacity gap be filled?



Source: WE Energies (2014)

Who's job is it?



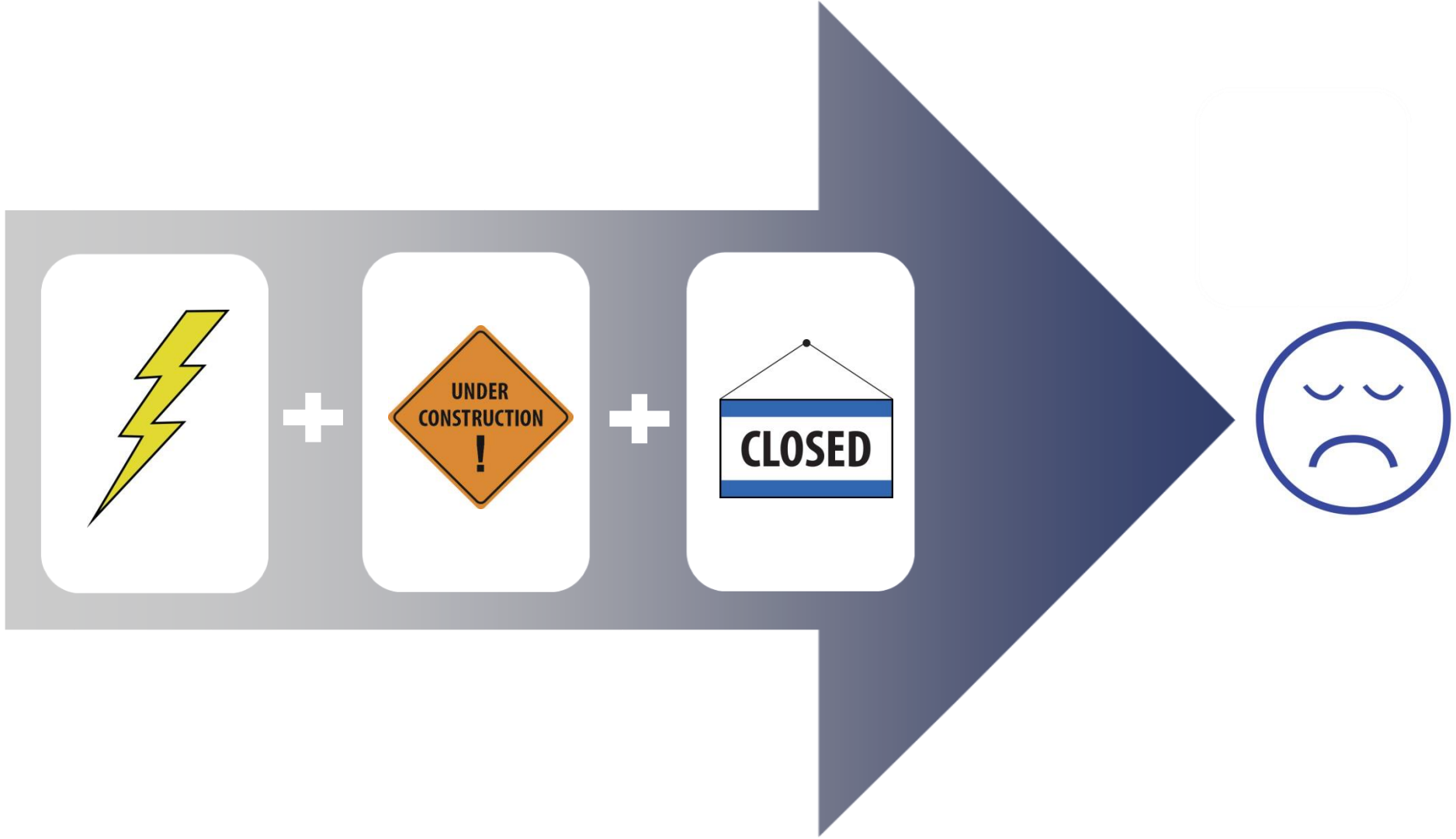
Regulatory and Market Frameworks

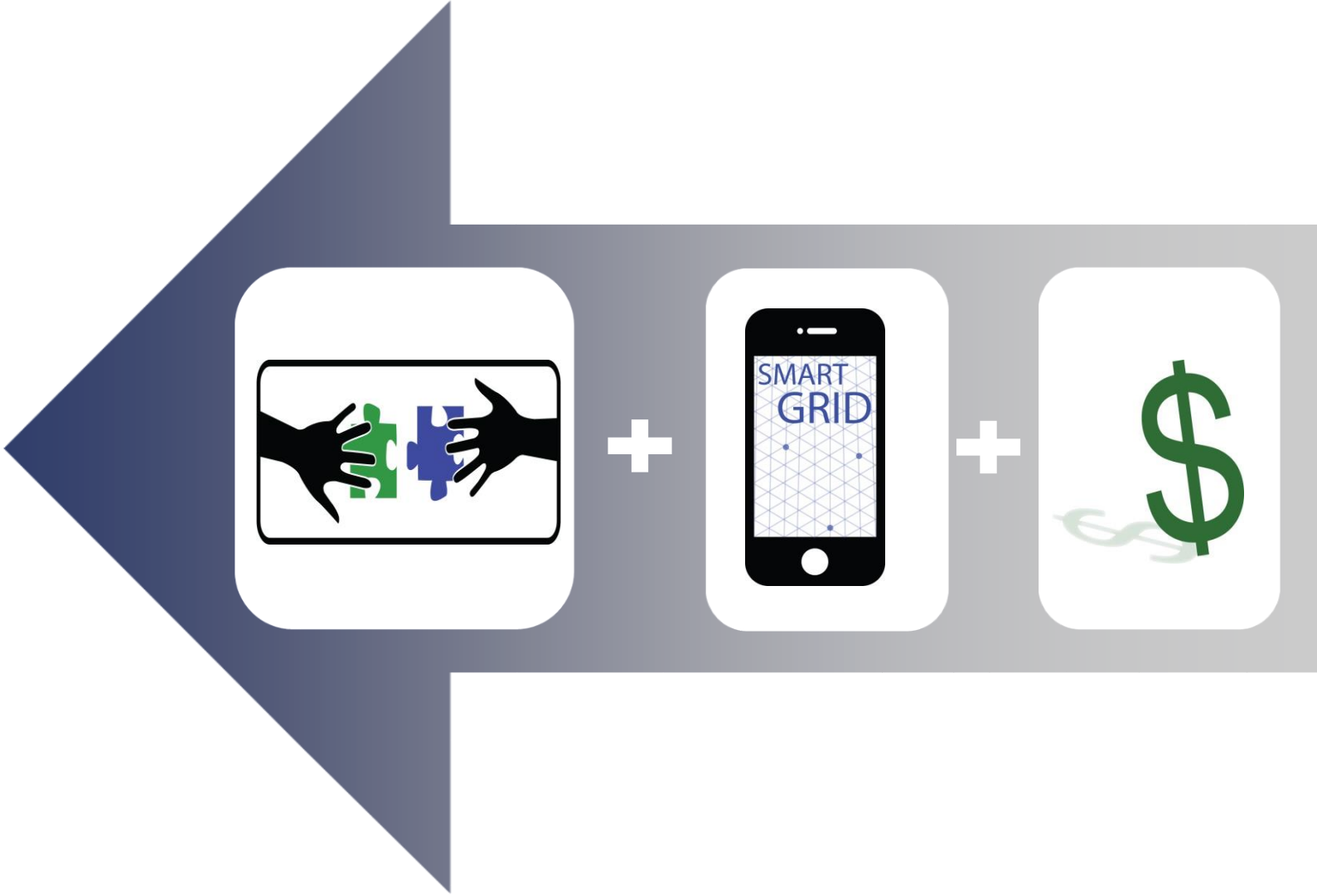
Regulated model

- Integrated resource planning
- Regulatory review of utility investments
 - “Used and useful”
 - “Safe, reliable, adequate service”
- Mandated reserve margin

Deregulated model

- Organized forward capacity markets with minimum reserve margin obligation
- Reliability must run requirements (also exist in regulated model)





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