



Michigan 2013 Energy Forum

Kalamazoo

Ken Sikkema
Senior Policy Fellow

March 18, 2013



Two Reports by Public Sector Consultants:

- Electricity Restructuring in Michigan: *The Effects to Date of Public Act 141 and Potential Future Challenges*—2006
- Market Structures and the 21st Century Energy Plan—Fall 2007

2006 Report

- Hybrid market structure created by PA 141 is economically unsustainable
- Obligation to serve & need for reliability imposed on some providers but not others
- Competition didn't lower prices—subsidies, caps, and credits did

2007 Report

- Future: Capital investments, renewables (RPS), and energy efficiency
- **Regulated market structure** provides **best environment** for the **risk reduction strategy** necessary for Michigan's energy future



2007 Report

Capital Investments and Revenue Predictability

- Both retail *and* wholesale revenue predictability necessary to insure capacity
- Specific capital investment changes, but principle remains
- New government intervention to insure reserve capacity in “deregulated” states

2007 Report

Risk Reduction to Reduce Price Volatility

- Inability to predict future
- Stabilization vs. volatility in prices
- Diversified electric generation portfolio



Conclusion

- **Long-term energy policy based on current short-term trends highly risky**
- **Fundamental findings/conclusions of 2006–2007 still sound**

Putting thought into action

Economics □ Education □ Energy □ Environment □ Health

