STATE OF MICHIGAN

GRETCHEN WHITMER
GOVERNOR

DEPARTMENT OF LICENSING AND REGULATORY AFFAIRS
PUBLIC SERVICE COMMISSION

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Dear Governor Whitmer,

Thank you for your letter dated June 17, 2026, requesting that the Michigan Public Service Commission identify opportunities to lower utility bills for Michiganders. Your letter requested that the Commission identify potential legislative reforms to improve affordability and reliability and that we identify opportunities for new or improved energy assistance programs. We appreciate the opportunity to share our thoughts with you on these important matters.

Over the past several years, the MPSC has prioritized efforts around reliability, affordability, and customer assistance. As a result, between 2019-2024, Michigan led the country in reducing the duration of power outages, all while keeping residential bill increases below the rate of inflation and delivering Michigan's best residential energy bill ranking in a decade. In addition, the Commission recently adopted a goal of ensuring no Michigan household had an energy burden of more than 6% of household income, and is working to improve utility bill payment assistance programs consistent with that goal.

Building upon the actions the Commission has already taken, the Commission recommends the following opportunities for legislative action to improve affordability outcomes for Michigan customers:

- Address utilities' capital bias and realign utility incentives with cost efficiency and improved performance outcomes for customers
- Rein in unnecessary costs
- Increase opportunities for competition to drive down costs within the current regulatory framework

For your convenience, we have included a summary of recommendations as an appendix to this letter.

While all of the recommendations offered would improve affordability for Michigan customers, the most impactful opportunity may be to counter the inherent bias for utilities to invest in capital projects by realigning utility incentives with cost efficiency and improved performance outcomes for customers. In addition, the MPSC also offers additional recommendations to strengthen energy assistance programs for those who need it most, as well as suggestions for programs that help customers weatherize their homes and install energy upgrades, saving money for participating customers and reducing overall grid costs for all of us.

Background

For many Michiganders, the increasing cost of living is front of mind. Costs are increasing for everything from groceries to health care, and energy costs are no exception. According to data from the U.S. Energy Information Administration, 33% of U.S. households were experiencing energy insecurity in 2024, up from 27% in 2020. In addition, nearly 25% of American households reporting reducing or forgoing food or medicine to pay their energy bills. Here in Michigan, 25% of households pay more than 6% of their income to heat and power their homes, higher than the national average of 20%.

There are a number of factors that are driving increases in energy costs, including historically high inflation rates over the last few years. As inflation drives costs higher, the energy sector is also impacted. For example, since 2020, the costs for transformers have increased 60 – 80% while the cost of grain-oriented electric steel, a key component used in wires and transformers, has increased 180%. And these inflationary pressures are hitting at a time when Bank of America states that 30-46% of the U.S. power grid is “beyond its useful life,” resulting in a 47% national increase in distribution system spending between 2022-2025.

Necessary investments in aging grid infrastructure and inflation are not the only things driving upward cost pressures. Federal tariff policies are projected to increase costs between 4.2% and 22.7% for electric generation, and 8.4%-14.7% for a range of common electrical grid components. In addition, changes in federal tax policies are projected to increase wholesale energy prices approximately 25% by 2030, resulting in an increase of 9-18% in residential retail electric rates. As a result, inflation in the electricity sector is even higher than the overall economy-wide inflation numbers.

While Michigan is not immune to these national trends, the disciplined approach taken by the MPSC in reviewing rate case requests and other utility filings has resulted in the denial of $1.9 billion in electric utility costs since 2020, a key reason why residential bill growth in Michigan has been less than the overall rate of inflation. In 2024, Michigan residents paid the 15th lowest residential electric bills in the country, saving customers $23 per month compared to the national average – a total of $276 per year.

While real progress has been made in promoting affordability, increasing reliability, and expanding assistance offerings, we recognize that our work is not done. We continue to identify opportunities to lower costs to customers in our own work, and have also identified opportunities and recommendations for further action outside the MPSC.

Commission Recommendations on Affordability and Reliability

The MPSC's recommendations on affordability address the following three categories:

- Address utilities' capital bias and realign utility incentives with cost efficiency and improved performance outcomes for customers
- Rein in unnecessary costs
- Increase opportunities for competition to drive down costs within the current regulatory frameworks

Address Utilities' Capital Bias that Increases Customer Costs

The existing regulatory and rate recovery model incentivizes capital expenditures as the main profit motive for the utilities. While the utility industry has been – and remains – a capital-intensive industry, the existing incentives tied to capital deployment can also create disincentives to invest in less costly alternatives, including operations and maintenance activities, expanded tree trimming, and more fully utilizing existing assets before building new assets. By shifting utility profit motives from capital investment and toward actions tied to affordability and other customer outcomes that improve performance, we can improve both affordability and reliability.

1. Multi-year rate plans with Performance Based Ratemaking

   Michigan law currently allows utilities to file for a rate increase every 12 months. In recent years this has led to effectively annual rate case requests by larger utilities, spurring frustration among customers and a sense of fatigue among seemingly endless rate increase requests.

   At the same time, customers' justifiable frustration with system reliability and increasing storms and storm severity, an aging grid, and a drive to improve system

reliability mean the utilities are looking for cost approvals for infrastructure investments. The recent storm-related outages over the Independence Day holiday weekend only underscore just how critical it is for utilities to continue to make needed investments in their systems.

A well-designed multi-year rate plan combined with performance-based ratemaking could address both concerns. In addition, by reducing the frequency of rate case filings, multi-year rate plans can also help address the rate case fatigue that undermines customer confidence. Done right, such an approach can deliver meaningful affordability improvements and avoid multi-year rate shock while ensuring that utilities can continue to access the capital needed to make the reliability improvements customers need and expect. This builds on the Commission's work in which it added penalties and incentives tied to performance around storm restoration, outage duration, the number of customers experiencing multiple outages each year, and improvements on the utilities' worst performing circuits. Strengthening this tie between utility earnings and the performance their customers experience can drive improvements on both reliability and affordability.

We recommend that the Legislature authorize the Commission to establish multi-year rate plans coupled with earnings tied to utility performance on core reliability and affordability metrics.

2. Use more before you build more: Require prioritization of existing transmission and distribution infrastructure and rights of way

The current regulatory structure incentivizes new capital investment over using existing assets more effectively and efficiently. It should therefore come as no surprise then when utilities choose to build new assets to solve a need, even if other options are less costly to customers. However, where opportunities exist to use existing assets more effectively or efficiently, ratepayers benefit. This affects both transmission utilities and distribution utilities alike. For transmission utilities, advanced conductors and grid enhancing technologies (GETs) such as dynamic line ratings, advanced power flow controls, and transmission topology optimization opportunities can increase the capacity of the current system at reduced costs to customers. There are also opportunities to boost the utilization of utilities' distribution systems, as estimates suggest we utilize on about 50% of the current grid on average, which is historically low. A recent report from The Brattle Group suggests even a 10% increase in utilization could save more than $110-170 billion nationally over the next 10 years, reducing electric rates by 3.4%.

We recommend the following actions to get more out of the current system that customers have already paid for:

Require transmission utilities, as part of applications for certificates under Public Act 30 of 1995, to demonstrate that they are making efficient use of the existing grid, including use of advanced conductors and grid enhancing technologies, in order to demonstrate the need for any new lines. This should include a cost/benefit analysis of the new build asset compared to opportunities to improve or enhance the performance of existing assets. In addition, **we recommend the Legislature require the applicant to consider the utilization of existing Rights of Ways as well as grid enhancing technologies coupled with upgrades to or rebuild of existing infrastructure.**

Require utilities that operate the distribution system to increase their utilization of the existing grid, and allow the MPSC to incorporate utilization metrics into the consideration of utility cost recovery requests for capital investments, similar to legislation enacted earlier this year in Virginia.

In all of these instances, approval of the new build asset should require a demonstration that it is more reasonable than the improvement of, or enhancement to, existing assets. Approval of the acquisition of new rights of way should be subject to a similar standard.

3. Build on Michigan's leadership in Energy Waste Reduction (EWR), strengthening the cost effectiveness of current programs while replicating the approach for other distributed energy resources

   Energy Waste Reduction is an important affordability tool. Since the implementation of Energy Efficiency/Energy Waste Reduction programs beginning in 2008, the energy saved by Michigan customers through these programs has eliminated the need to build two large natural gas generating facilitates and our most recent EWR report demonstrates $2.40 of savings for each dollar invested in EWR.

   The engagement of utilities in EWR programs did not happen by accident. After all, what business wants to sell less of the product it makes? This is particularly true for utilities, given the preference for capital investments over opportunities for customers to use energy more efficiently and save money. But through a combination of planning, minimum standards, and incentives for overperformance, Michigan has become a national leader in energy savings from these programs, saving customers billions of dollars - $1.4 billion in savings from investments made in 2024 alone.

This does not mean, however, that all EWR activities or programs are equally cost effective. As we move beyond easily-achievable EWR, we must maintain flexibility and effective oversight of these programs. For this reason, **we recommend that the Legislature continue to protect and prioritize EWR as an important part of Michigan's energy future while ensuring that the Commission has the authority to reject ineffective or uneconomical EWR programs or activities.**

In addition, there are additional opportunities to replicate Michigan's leadership in EWR when it comes to scaling the deployment of other cost-effective distributed energy resources. Having more distributed energy resources on the grid can reduce the need to build more expensive generation, transmission, and distribution assets. As such, **we recommend that the Legislature authorize the MPSC to develop and implement a similar approach for other cost-effective distributed energy resources, using the EWR statutory framework as a template.**

Rein in Unnecessary Costs

The Commission works hard to ensure that customers don't pay for any utility costs that are unnecessary. Legislative action on the items below could improve the Commission's ability to ensure that these specific costs are not passed on to ratepayers.

1. Reform the Financial Compensation Mechanism

   The Financial Compensation Mechanism (FCM) is a financial incentive intended to reward the utilities for procuring energy and capacity through lower cost contracts or power purchase agreements with third parties by granting the utility a financial return based on the cost of the contract. FCMs have been used since at least 2019 to incent these types of arrangements.

   MCL 460.1028(8) requires the Commission to authorize an "annual financial incentive" for electric providers that enter into power purchase agreements (PPAs) for renewable energy resources or third-party contracts for energy storage and clean energy systems where those agreements or contracts are with entities that are not affiliates of the utility. The incentive is set by statute at the cost of contract payments in a given year multiplied by the pre-tax weighted cost of permanent capital.

   The FCM can be a valuable tool to lower overall project costs, helping to address the utilities' inherent capital bias as described above. However, under current law, utilities are allowed to propose – and the MPSC is required to approve – an FCM

even in cases in which no incentive is needed to alter utility behavior. For example, while some PPAs are voluntary, the utilities are under legal obligations to enter into others (for instance, PPAs pursuant to the Public Utilities Regulatory Policy Act of 1978 (PURPA), a federal law that requires utilities to purchase the output of small renewable energy projects at the utility's avoided cost). Where the utility is legally obligated to enter into the PPA, the FCM adds unnecessary costs as the utilities do not need to be incentivized to fulfill their legal obligations. And, if a fully-depreciated asset is sold and then power purchased back through a PPA, the utility is simply double-earning on an asset already paid for by utility customers. Similarly, when utilities renegotiate current PPAs in a way that then triggers the mandatory FCM, this adds costs to customers with little or no customer benefit.

Since 2019, an FCM has been authorized on over 150 contracts, adding approximately $868 million in incentive costs to contracts totaling almost $10.5 billion. Of these, 63 were for projects the utility was legally required to enter into a PPA under PURPA, adding $121.7 million in costs.

The FCM is a valuable tool that can be used to shift the interest of the utility away from building and owning new assets to contracting for them when it is reasonable to do so. While it should be used to impact utility behavior, it should never simply add costs. For this reason, **we recommend modifying the statutory FCM to ensure that it does not apply in the future to situations where a utility is legally obligated to enter into a PPA, for PPAs involving fully-depreciated assets, or for renegotiated contracts that were not previously entitled to the FCM.**

2. Require securitization applications for retired assets

When a utility builds a new asset, a power plant for example, the cost to build the asset and the utility's return on its investment are recovered from ratepayers over the lifetime of the asset. In 2000, Michigan enacted Public Act 142 that allows utilities to seek approval from the Commission to securitize the remaining costs for plants that are retired before they are fully depreciated.

In securitization, the utility seeks a financing order from the Commission to replace existing debt and equity with lower-cost debt in the form of a securitization bond. Securitizing these types of costs allows for recovery of the utility's investment but at a lower cost to ratepayers. There have been a number of instances in which utilities have been granted approval to recover the remaining book value of retired assets in this manner.

While securitization can be used by the utilities for several different expenses, the use of securitization bonds is at the utility's option. In some recent cases, utilities have entered into settlement agreements by which they not only recover the remaining balance of the retiring assets, but also continue to earn a return as well (though typically at a reduced level). Notably, in those cases, not only is the utility continuing to profit from the retired power plants, they are also profiting on the new resources they build to replace them. As more utility assets are retired**, we recommend that going forward utilities be required to file a securitization application at the Commission for any remaining book balance on retiring assets.**

3. Codify the MPSC's approach to ensuring that data centers pay their full costs and require transmission costs to be assigned directly to data centers

   Data centers are generally large load customers and the energy demand that these businesses may place on the energy system could trigger the need for upgrades in generation, transmission, and distribution. In 2025, Consumers Energy, DTE Electric Co., and Indiana Michigan Power Company (I&M) filed data center-related applications at the Commission. For Consumers and I&M, the applications involved proposed large load tariffs, while DTE's application involved a set of special contracts to serve a new data center customer. While the I&M case is still pending, the Commission took similar approaches to the applications from Consumers and DTE. These approvals added new requirements that resulted in some of the strongest customer protections in the country, and in DTE's case, are projected to result in $300 million in annual savings for DTE's other customers as a result of the first data center-related special contract approval, a significant affordability benefit. The Commission's approach included:

   - Minimum contract terms that exceed the terms otherwise applicable to industrial customers
   - A higher minimum billing demand than would otherwise apply
   - Heightened termination payments to ensure the data center customer covers its costs
   - Additional credit and collateral requirements

   This approach is consistent with your recently announced Michigan Affordable and Responsible Growth Action Plan, which includes a call to codify the protections that the MPSC put into place to further ensure data centers pay the full costs they are putting on the system. Notably, a number of data center companies have already signed the Michigan Affordability and Responsible Growth Pledge, showing that Michigan can continue to attract investment even while including explicit provisions

to prohibit the shifting of data center-related costs onto other customers. Given the pace of data center growth, the details on how to fully protect other customers from data center-related costs continues to evolve rapidly. As such, **we recommend the Legislature codify the requirement that other customers be shielded from paying costs associated with serving data center customers and that tariffs and special contracts approved by the MPSC for data center customers include requirements around minimum billing demand, minimum contract terms, contract termination fees, credit and collateral requirements, and any other provision to ensure data centers are paying the full costs they are putting on the system, consistent with the Michigan Affordability and Responsible Growth Action Plan**.

In addition, the Legislature should also make explicit that all costs, including transmission costs, are included and paid for by the data center customers driving them. Currently, Michigan law excludes network transmission upgrades from the set of costs that can be allocated to the data center customer taking advantage of the sales and use tax exemptions established in Public Acts 181 and 207 of 2024. **We recommend that transmission upgrades necessitated by the integration of new data center load be directly assigned to the data center customer, consistent with the Michigan Affordability and Responsible Growth Action Plan's focus on shielding other customers from costs associated with data center development.**

4. Leverage modern approaches to rate design to reduce costs and better reflect cost causation as electric system continues to evolve

One of the central elements to utility regulation is to determine how the costs of the system should be allocated between different types and classes of customers, which is achieved through a process called rate design. Historically, rate design recognized that customers with a relatively flat load, including many industrial customers that operated on a relatively consistent basis, were less costly to serve, and the rates that these industrial customers paid were lower as a result. However, as the electric system continues to evolve, the flexibility of load is an increasingly valuable attribute. To date, however, our approach to rate design and the allocation of costs between classes has not reflected the value that flexibility provides, a situation that is exacerbated in Michigan by the presumption on how production-related costs should be allocated as established in Public Act 341 of 2016. This approach increases costs to customers in two ways. First, we have not created the same incentives for cost avoidance, particularly in avoiding costs associated with system peaks, for industrial customers as we have for other customers, despite many industrial customers having a greater ability to respond to price signals tied to system conditions.

Because the statutory presumption on how production-related costs are to be allocated encourages more consistent usage regardless of system conditions, industrial customers lack the incentive to more fully respond to system conditions. As a result, consumption remains higher particularly during the most expensive hours on the system, which in turn results in higher costs for all classes of customers. By shifting to an approach to rate design that better reflects new system realities, we can provide greater encouragement for industrial customers to avoid costs, better allocate costs to those who are inflexibly contributing to total costs, and reduce costs for all customers. **We recommend the Legislature remove the presumption on allocating production related costs currently found in statute and direct the MPSC to develop rate design approaches that better reflect cost causation principles given changes to how the electric system currently and increasingly works, including the importance of flexibility in consumption and better alignment between demand charges and other costs with system conditions.**

Increase Opportunities for Competition

The Commission is not recommending a shift from Michigan's current regulated model. However, within our existing model, opportunities to utilize competitive pressures to drive affordability, and in some instances reliability, benefits for customers could be unlocked through legislative changes.

1. Grant the Commission licensing authority to safely unlock customer-side distributed energy resources

   In 2020, FERC issued Order 2222 which requires grid operators to allow aggregators to bundle distributed energy resources and bid those resources into the regional wholesale energy market. This aggregation of small, customer-side resources can help to drive down utility costs, in a manner similar to energy waste reduction, and maintain reliability while creating an opportunity for financial compensation for participating customers.

   In 2022, the Commission partially lifted the ban on demand response aggregation for large commercial and industrial customers to allow their customer side resources to participate in the wholesale energy market via aggregators. The Commission declined to lift the ban for residential and small commercial customers citing customer protection concerns and a lack of licensing authority over third party aggregators. Importantly, the Federal Energy Regulatory Commission's implementation of FERC Order 2222 does not provide any mechanism for the Commission to ban the aggregation of customer sided DERs including rooftop solar, batteries, and other small generating resources from participation in wholesale energy markets. PJM has already started allowing aggregators to begin participating in capacity auctions, and both PJM and MISO will have fully implemented FERC

Order 2222 in 2028 and 2029, respectively. Authority to license aggregators operating in the state of Michigan as soon as possible is critical to provide protections for residential customers against potential bad actors.

In order to realize the full potential of customer-side distributed energy resources and ensure appropriate and enforceable customer protections, **we recommend legislation granting the Commission licensing authority for third party aggregators of distributed energy resources and demand response.** With the recommended licensing authority in place, the Commission could confidently lift the current demand response aggregation ban for residential and small commercial customers.

2. Empower customer participation through VPP, EWR, DER, Flex, and plug-in resources

A virtual power plant combines lots of smaller energy sources — like rooftop solar panels, home batteries, electric vehicles, and smart thermostats — and manages them as a coordinated system. Aggregators – which can include both third-party aggregators as described above or the utilities themselves – develop VPPs by working directly with customers that have these smaller resources and pool them together to create a sizable resource that can be offered into the wholesale energy markets (when FERC Order 2222 is fully implemented) or offered into competitive solicitations conducted by utilities. Utilities already have early-stage VPPs (though often referred to by different names) with demand response programs and some earlier customer-owned solar programs where the utilities pay the participating customers and receive capacity credit for the resources in the regional wholesale energy market.

By grouping different kinds of resources together, such as solar, batteries, and different types of flexible load, VPPs can be developed very quickly and operate when they are needed, improving the reliability of our grid. Increasing the use of VPPs can help Michigan meet its renewable energy and clean energy goals and can help drive down costs for all utility customers as less infrastructure is required to be built to develop VPPs compared to traditional resource options. A recent analysis commissioned by the Evergreen Collaborative and the Natural Resources Defense Council, for example, found that increasing the use of these resources could save DTE customers – whether they directly participate in these programs or not – about $54 per year by 2030.

Empowering customer participation with VPPs can be accomplished through several potential actions:

- Granting authority to the Commission to require competitive procurement that would include VPPs as an option for utilities to procure, building on existing Commission actions that require VPPs to be a selectable resource within utility integrated resource plan filings.
- Granting authority to the Commission to license aggregators who could develop and offer VPPs into regional wholesale energy markets as detailed above.
- Lifting the DG cap to maximize customer participation where individual projects are bundled into aggregated products that deliver cost savings and grid services.
- Granting the Commission authority to develop a draft tariff, similar to the DG tariff, that the utilities would be required to adopt to maximize the utilization of utility-aggregated storage and flexible demand resources.

In addition, plug-in customer-side resources, sometimes referred to as balcony solar, have begun gaining popularity in the United States. Legislation has been introduced in the Michigan Legislature to exempt these devices from many of the requirements that traditional distributed generation systems must comply with.

Plug-in customer side resources, typically very small scale solar, are easily installed and could be both a cost-saving measure for many customers who cannot afford or otherwise install traditional distributed generation systems. It also can act as a reliability backup in the event of power outages. Arguably, they are also already permitted under Michigan utilities' existing Distributed Generation programs. However, if these systems are required to adhere to the same interconnection studies and other standards required of traditional distributed generation customers, unnecessary compliance requirements could make them no longer cost effective. Enabling plug-in customer side resources requires striking the proper balance between unequivocally protecting system integrity and safety while allowing for cost-effective deployment.

The Commission's Staff-led Interconnection Technical workgroup plans to discuss the topic of plug-in customer side resources to consider opportunities to enable these resources. **Ultimately, legislation may be necessary to establish separate parameters for these systems.**

3. Increase competitive procurement

When the Legislature first established the renewable portfolio standard in 2008, it included a provision that required at least 50% of projects to be built by independent developers, with the power sold to utilities under a power purchase agreement. The

other 50% of projects could be built and owned by the utilities themselves. Data included in MPSC reports show that costs associated with non-utility projects were consistently less costly than those developed and owned by utilities when comparing projects developed in the same year. However, the Legislature removed this “50/50 split” as part of the 2016 updates to Michigan’s energy laws.

In 2021, the Commission adopted voluntary competitive procurement guidelines for long-term resources, including utility self-build projects. Competitive solicitations can lead to better pricing, providing savings which can be passed on to utility customers. When utilities follow the Commission’s adopted competitive procurement guidelines, the expenditures resulting from the use of the guidelines are presumed to be reasonable and prudent thereby reducing cost recovery risk.

While the voluntary competitive procurement guidelines have helped Michigan utilities to competitively procure 145 projects (out of 215 projects) since they were adopted, the fact that they are voluntary means that there are additional savings that could be captured via competitive market forces to reduce costs for Michigan customers. Granting the Commission the authority to require competitive procurement along with the ability to set and amend standardized competitive procurement requirements over time by order would ensure transparency and fairness, and that savings could be captured for Michigan customers. With this in mind, **we recommend that the Commission be granted authority to require competitive procurement where appropriate and to adopt and update standardized competitive procurement requirements as necessary. In addition, the Legislature could also consider re-establishing a minimum percentage of projects that should be procured under power purchase agreements with independent developers unless the utility can demonstrate that utility-built projects are less costly to customers.**

4. Strengthen opportunities to optimize between generation and transmission options as part of integrated resource plans while encouraging more cost-effective transmission

Michigan’s integrated resource planning law, MCL 460.6t, requires that an integrated resource plan filed by a utility include, among other things, an analysis of potential new or upgraded electric transmission options. In practice, however, the consideration of transmission as part of the IRP process has been lacking, in part due to the reality that the transmission system is owned by a different company than the utility proposing the IRP, raising both jurisdictional challenges as well as the preference for the utilities submitting IRPs to prioritize generation solutions (which

they own and profit from) over transmission alternatives (which they do not own or profit from).

As a result, we **recommend that Michigan's integrated resource planning statute be strengthened to require greater consideration of transmission, and that the utility filing the IRP demonstrate that generation and transmission solutions have been optimized in order to meet the "most reasonable and prudent" standard** required under the law.

At the same time, there are also growing concerns about the increasing cost of transmission. Since 2021, we have seen a dramatic increase in the number of projects needed in, and approved by, the regional transmission organizations (RTOs). At the same time, we have witnessed cost overruns for several of these projects and, as costs increase, the cost-benefit analysis under which the projects received their approvals can begin to come apart.

As a result, **opportunities to improve the cost effectiveness of transmission projects should also be fully explored.** As detailed above, this should include **consideration of advanced conductors and grid enhancement technologies, as well as greater utilization of existing Rights of Way.** In addition, in order to get a full picture of whether Michigan is maximizing both the opportunities for cost-effective transmission and to ensure appropriate cost controls, **the Legislature should direct the MPSC to submit a transmission report every three years that includes a review of the following:** (1) what actions are needed to increase transmission linkages with other states, building on recommendations from the 2019 Statewide Energy Assessment; (2) how greater consideration of interregional transmission projects can save customers money by reducing congestion across the seams between regional transmission organizations (RTOs), building on the Commission's work in Docket No. U-20199 on actions and policies that might maximize benefits to the reliability of Michigan's transmission connections to MISO, PJM, and the Ontario Independent Electric System Operator; (3) what opportunities exist for greater scrutiny of costs associated with transmission projects that fall outside the projects subject to Public Act 30 of 1995; and (4) the impact on reliability and transmission costs of Public Act 125 of 2021, which established a right of first refusal (ROFR) for electric transmission companies serving Michigan customers for certain regionally cost-shared transmission lines approved by the RTO. Conversations are taking place at the FERC and at the RTOs regarding whether ROFRs continue to be in the best interests of ratepayers. These conversations are ongoing and conclusions have not yet been reached. Understanding whether this law is having its intended effect is an important element in identifying opportunities to add needed infrastructure in the most cost-effective manner possible.

Opportunities for New or Improved Affordability Assistance Programs

Your letter also requested recommendations from the Commission regarding opportunities for new or improved energy affordability assistance programs.

The Commission has long focused on issues of affordability. Since 2002, the MPSC has overseen programs designed to provide energy assistance to low-income customers. In more recent years, the COVID-19 pandemic brought the struggles of low-income Michiganders into stark relief, and the MPSC played an important role in ensuring that expanded energy assistance funds reached Michigan utility customers and in coordinating energy assistance across various programs. Stemming from this experience, the Commission established the Energy Affordability and Accessibility Collaborative (EAAC) in 2021 to facilitate discussion and input from a broad range of interested persons on existing and emerging policy issues related to energy assistance and customer protections. Our Low-Income Energy Waste Reduction (LI-EWR) workgroup has worked for years to improve the energy waste reduction programs designed for low-income customers and, in 2022 the Commission's Low-income Energy Policy Board (LIEPB) was established to coordinate the work of these two groups. There have also been low-income Percentage of Income Payment Plan pilot programs undertaken by both DTE and Consumers Energy pursuant to the ability to establish low-income rates under current law, which were summarized in the Commission Staff's comprehensive Affordability Report submitted in late 2025.

Informed by this work, the Commission in 2024 took an active role in legislative discussions to expand eligibility and funding for the Michigan Energy Assistance Program. Those successful reforms are expected to increase the annual number of households who receive assistance with their energy bills from approximately 55,000 to more than 150,000 when the full MEAP funding increase is fully implemented. While the 2024 MEAP updates will provide significant help to many households, we know there are still households in need.

On June 11, 2026, the Commission issued an order establishing a goal to limit the energy burden for low-income households to no more than 6% of their household income toward their energy bills and to reorient energy assistance programs under the purview of the MPSC around that goal.

Building on the Commission's active work to expand, streamline, and improve energy assistance options available to customers, we have identified a number of recommendations for improving energy assistance programs. As with the recommendations above regarding affordability, the recommendations provided here

are not an exhaustive list of options but reflect the recommendations of the Commission regarding actions that fall outside of our authority to carry out.

1. Amend MCL 460.10t to align low-income rate eligibility with the increased eligibility adopted for the Michigan Energy Assistance Program in Public Act 170 of 2024

   MCL 460.11(2) authorizes the Commission to establish low-income customer rates for customers whose household income is at or below 150% of the federal poverty level (FPL) or who receive state emergency relief, food stamps, or Medicaid. While this assistance is undoubtedly needed, the data demonstrates that there remains significant need for low-income households that fall just above this eligibility cutoff.

   The 2024 MEAP updates increased eligibility for MEAP assistance to 60% of the state median income (SMI), which roughly approximates 200% of the federal poverty level. This increase aligned with the maximum eligibility for energy assistance provided by programs funded through the Federal Low-Income Home Energy Assistance Program and created a foundation for expanding energy assistance availability while aligning energy assistance program eligibility in Michigan.

   In order to allow for better coordinated energy assistance programs that will deliver improved efficiencies and reduce confusion for customers, **we recommend expanding eligibility for programs authorized by MCL 460.11(2) to 60% of state median income, consistent with the expanded eligibility for MEAP**.

2. Align assistance programs funded by the Federal Low-Income Home Energy Assistance Program (LIHEAP) (that is State Emergency Relief and the Home Heating Credit) to 60% State Median Income

   In Michigan, Federal LIHEAP funds two programs, a heating program (the Home Heating Credit or HHC) and a crisis program (State Emergency Relief or SER). Eligibility for the Home Heating Credit is set in statute at 110% FPL. Eligibility for SER is set by the Michigan Department of Health and Human Services in the annual State LIHEAP plan at 150% of the federal poverty level. However, Federal guidelines allow eligibility for these programs up to 60% SMI.

   In order to streamline energy assistance applications and delivery opportunities, and to improve opportunities to coordinate and layer funding to more effectively serve customers, **we recommend aligning eligibility for LIHEAP funded programs to 60% of state median income, consistent with federal guidelines and the expanded eligibility for MEAP.**

While eligibility for the Home Heating Credit would likely need to be addressed via statute, State Emergency Relief eligibility is established in the State LIHEAP plan developed by MDHHS. Importantly, given that customers can be eligible for assistance under MCL 460.11(2) if they receive SER, expanding SER eligibility, at least for energy assistance, could also have the effect of expanding access to MCL 460.11(2) programs for some customers without requiring additional statutory changes.

3. Redesign the Home Heating Credit so that it can layer in with MEAP and MCL 460.11(2) Affordable Payment Plans

   The application process for the Home Heating Credit is unlike any other energy assistance program in the country as customers apply for it on their tax forms. In addition, the assistance provided by the program is not necessarily received at a time when customers most need it (applications are accepted January through September which does not align with the full heating season which begins in November). Because the receipt of the HHC does not necessarily occur when the need for assistance is greatest, customers continue to rely on crisis funding under State Emergency Relief to address payment challenges, adding pressure to a system that is already stretched thin and perpetuating a crisis-based assistance system.

   By layering HHC funding in with other energy assistance programs, including MEAP, low-income rates authorized under MCL 460.11, and SER, and moving away from a tax form based application, the funding available under the Home Heating Credit could be used more effectively and efficiently in meeting customer needs and helping to shift to a system oriented toward self-sufficiency and preventing crisis, rather than forcing customers into it.

   To accomplish these goals, **we recommend redesigning the Home Heating Credit program to layer with and complement other existing assistance programs.**

4. To simplify and streamline MEAP administration, move the MEAP to the MPSC

   Statute establishes the Michigan Energy Assistance Program in MDHHS but, through annual boilerplate and an interagency agreement, the MEAP is primarily administered by the MPSC with MDHHS serving in an administrative oversight and advisory role. However, program administration could be simplified and streamlined by simply moving the MEAP program directly to the MPSC. **We recommend moving administration of MEAP to the MPSC** and believe this move would create efficiencies in administration and could also result in programmatic savings.

5. Increase program funding for MEAP, SER, and HHC

   The need for assistance continually outpaces the funding available for assistance and we recognize that this is true across programs designed to help low-income families, even with the expanded funding resulting from the 2024 reforms to MEAP. However, MEAP and SER routinely see more applications for assistance than they are able to fund and the HHC, while certainly helpful for customers, does not provide sufficient support. For this reason, **we recommend pursuing and/or developing opportunities to secure increased funding for these programs.**

6. Increase funding for low-income weatherization and pre-weatherization programs and workforce development

   Energy assistance is critical for low-income families. However, we know that many low-income households face affordability issues that are compounded by housing stock that has poor insulation, bad roofs, or other substantial issues that result in significantly higher use than similar homes that are well weatherized. While weatherization programs can help some of these families, health and safety deferrals mean that many households are unable to get the weatherization work that they need, resulting in continued, unnecessarily high use and related affordability challenges and assistance needs. Providing greater assistance for pre-weatherization work could help drive energy waste reduction and improve the affordability of low-income customer bills. For this reason, **we recommend pursuing and/or developing opportunities to secure increased funding for these programs.**

   In addition to available funding, there are also workforce challenges that limit pre-weatherization and weatherization work in some areas of the state. A lack of trained workers in this space could lead to long wait times and minimize the impact of additional funding. Therefore, **we further recommend developing opportunities to expand worker recruitment, training, and retention in the weatherization and pre-weatherization space.**

7. Create a new assistance program enabling greater weatherization

   The cheapest energy is the energy that you don’t use. If we can help make residences more energy efficient, we can make residential energy bills more affordable. While several programs exist to provide energy waste reduction products and services to low-income households, **we recommend creating a new assistance program by offering tax credits for building envelope**

improvements, weatherization, and other energy efficiency improvements made by low- and middle-income utility customers.

Customers could be eligible for a tax credit that would cover up to 50% of a homeowner's investment in building envelope improvements, weatherization, building electrification, or energy efficiency improvements made following the completion of a home energy audit. To layer in additional customer cost savings, the utilities could be encouraged or required to utilize EWR program dollars to leverage these tax credits for qualifying customers. In legislation establishing such a tax credit, the Legislature could task the Commission with developing a list of qualifying projects.

8. Create a permanent funding source for Michigan Saves

Michigan Saves was established through funding from the MPSC in 2009 as the nation's first non-profit green bank. Since making its first loan in 2010, Michigan Saves has supported more than $800 million in financing to support more than 60,000 homeowners access clean energy, energy efficiency, and critical health and safety improvements statewide. As a result of projects financed through Michigan Saves, the average residential customer realizes energy savings of $360 each year, and the average small business customer saves more than $12,000 annually.

Over the last several years, the state budget has included funding for Michigan Saves. However, these appropriations have been "one-off" grants of different amounts, and there is currently no permanent funding mechanism for Michigan Saves included in the state budget. Having greater certainty on long-term financial support would better enable Michigan Saves to develop and implement programs, strategies, and financing options that help reduce energy waste, increase distributed energy resources, and save customers money. **We recommend creating a permanent funding mechanism for Michigan Saves.**

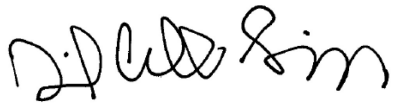
Conclusion

As affordability, reliability, and opportunities for improving energy assistance programs have been front of mind for both the public and the Commission, we appreciate this opportunity to offer a set of recommendations that take a balanced approach to improving affordability and reliability while identifying real opportunities for improvement within the broader regulatory and economic context. While all of the recommendations offered would improve affordability for Michigan customers, the most impactful opportunity may be to counter the inherent bias for utilities to prefer capital-intensive

activities by realigning utility incentives with cost efficiency and improved performance outcomes for customers.

Thank you for your leadership and for the opportunity to offer these recommendations. Please let me know if you or your team have any questions or would like to discuss any of the items included; we stand ready to work with the Administration and members of the Legislature in pursuing any of the recommendations outlined in this letter.

Sincerely,



Dan Scripps
Chair

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Appendix: Summary of Recommendations

The Commission offers the following opportunities for legislative action to improve customer affordability and reliability in Michigan:

- **Address utilities' capital bias and realign utility incentives with cost efficiency and improved performance outcomes for customers**
  1) Allow multi-year rate plans with performance-based ratemaking
  2) Require improved utilization of the existing transmission and distribution grids
  3) Build on Michigan's leadership in Energy Waste Reduction, strengthening the cost-effectiveness of current programs while replicating the approach for other distributed resources

- **Rein in unnecessary costs**
  1) Reform the financial compensation mechanism to remove unnecessary costs
  2) Require securitization (lower-cost financing) for retiring assets
  3) Codify the MPSC's approach to ensuring that data centers pay their full costs and require transmission costs be directly assigned to data centers
  4) Leverage modern approaches to rate design to reduce costs and better reflect cost causation as the electric system continues to evolve

- **Increase opportunities for competition to drive down costs within the current regulatory framework**
  1) Grant the Commission licensing authority for aggregators to safely unlock DERs and demand response
  2) Empower customers through participation in a virtual power plant (VPP)
  3) Increase competitive procurement
  4) Strengthen IRP statute to optimize transmission consideration and encourage more cost-effective transmission

- **Opportunities to improve customer assistance programs**
  1) Align the eligibility criteria for low-income rates with MEAP
  2) Align eligibility for programs funded by LIHEAP with the eligibility criteria for MEAP
  3) Reform the Home Heating Credit program and allow layering with other assistance
  4) To streamline energy assistance, move the administration of MEAP to the MPSC
  5) Increase funding for utility bill payment assistance programs
  6) Increase funding for weatherization and related workforce development programs
  7) Create a new assistance program to enable greater weatherization
  8) Create a permanent funding source for Michigan Saves