MPSC
MICHIGAN PUBLIC SERVICE COMMISSION

Michigan Energy Appraisal

Summer Outlook 2025

In compliance with MCL 460.6r

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Contents

Preface

The Michigan Energy Appraisal is a semiannual assessment of Michigan's energy baseline. The assessment raises the situational awareness of the state's energy environment including recent events impacting supply and prices, expected conditions, and changes over the next six months. Additionally, it provides the necessary information to enable a reliable assessment of the risk posed by an energy supply disruption.

Due to data availability issues, Michigan-specific demand outlooks for petroleum energy sources (distillates and gasoline) are unavailable for this edition. However, these energy sources are still discussed in a broader context.

This report is prepared by the Energy Security Section of the Michigan Public Service Commission (MPSC) with assistance from the Energy Operations, Energy Resources, and Regulated Energy Divisions of the MPSC, Department of Licensing and Regulatory Affairs (LARA), State of Michigan.

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The Summer 2025 Energy Appraisal is available on the MPSC website. A major source of data and analyses used in this appraisal is the federal Energy Information Administration (EIA) at http://www.eia.doe.gov. The EIA collects national, state, and international data on energy usage, prices, supply, etc., and provides expert analysis on trends in energy.

Comments or questions on this appraisal are welcomed and may be directed to Ethyan Kramer, Michigan Public Service Commission, at kramere4@michigan.gov.

Executive Summary

Energy use in Michigan is closely tied to economic activity within the state. Motorists use gasoline to travel to and from work, companies move goods throughout the state by trucks and trains powered by diesel fuel, the industrial sector uses natural gas as a fuel for their manufacturing processes, and all sectors use electricity to light either their homes, businesses, or factories. Of note for this Energy Appraisal is the current volatility within energy markets and the uncertainty surrounding future price projections. The Energy Information Administration (EIA) geographically aggregates price projections into Petroleum Administration Defense Districts (PADDs) – which means prices in individual states may eclipse the regional PADD average for a given forecast period.

Michigan residents and businesses should expect to have adequate access to energy resources this summer and heading into the fall of 2025. Energy markets remain resilient and robust throughout the country but not entirely immune to short-term weather disruptions and other geopolitical risk factors of which consumers should be mindful.

The core analyses in this summer's edition of the Michigan Energy Appraisal were compiled by Staff at the Michigan Public Service Commission and projections sourced from data collected by the federal EIA.

Some key report findings for Michigan energy sectors:

- Midwest **gasoline** prices are expected to average $2.94/gallon for 2025 and $2.86/gallon in 2026. Gasoline prices for this summer driving season (April-Sept.) are projected to average $2.98/gallon compared to $3.34/gallon last summer in the Midwest.
- The EIA projects that West Texas Intermediate (WTI) **crude oil** will average $61.81/bbl for 2025 and $55.24/bbl in 2026.
- Michigan **electricity** demand is forecast to increase about 0.5% in total for 2025, driven by a 2.5% increase from the residential sector. Residential electric rates edged up slightly, with increases between May 2024 and May 2025 ranging from 1.9% to 22.2%, with a weighted average increase of 8.4%. These increases reflect broad inflationary pressures as well as higher power supply costs driven by increases in fuel costs and investments in infrastructure.
- Michigan's industrial production index, an economic indicator used to measure output from the industrial sector, is expected to grow slightly at 2.4% for 2025, potentially increasing the demand for **distillates**. No. 2 heating oil prices ended the 2024/25 heating season $0.55/gallon lower than last year at an average of $3.02/gallon.
- Consumption of **natural gas** for all sectors in Michigan is expected to see a 3.5% increase for 2025, led by increased demand from the residential, commercial, and industrial sector. Rising natural gas prices are expected to have a mitigating impact on the electric power sector's demand for natural gas, decreasing by 11.2%. The EIA forecasts that natural gas consumption in

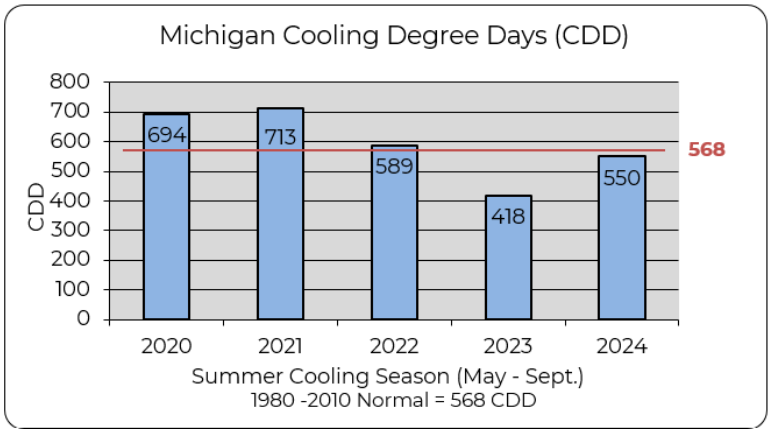
the U.S. electric power sector will decline by 3% compared to last year, which saw the most power sector consumption on record at 36.9 bcf/day.

Glossary

Term	Definition
Barrel	A unit of volume equal to 42 U.S. gallons.
b/d	The abbreviation for barrel(s) per day, also displayed as bbl/d.
Bcf	The abbreviation for billion cubic feet.
Brent	Brent is a major trading classification of sweet light crude oil that serves as a major benchmark price for purchases of oil worldwide.
CDD	Cooling Degree Days - a measure of how warm a location is over a time period relative to a base temperature, most commonly specified as 65 degrees Fahrenheit. Cooling degree days are used in energy analysis as an indicator of air conditioning energy requirements or use.
EIA	Energy Information Administration – the statistical and analytical agency within the U.S. Department of Energy.
GWh	One billion watthours.
GCR	Gas Cost Recovery – the actual cost of natural gas that a local distribution company pays to purchase natural gas for your use.
HDD	Heating Degree Days – a measurement designed to quantify the demand for energy needed to heat a building. A measure of how cold a location is over a time period relative to a base temperature, most commonly specified as 65 degrees Fahrenheit.
LSE	Load serving entity – a cooperative, municipal, or investor-owned utility, or an alternative electric supplier (AES) that provides electricity to its customers.
Mcf	One thousand cubic feet.
MISO	Midcontinent Independent System Operator – a regional transmission organization (RTO) that coordinates the movement of wholesale electricity in all or parts of 16 states and one Canadian province.
mmBtu	One million British thermal units.
MW	One million watts of electricity.
OECD	Organization for Economic Cooperation and Development – an intergovernmental economic organization with 35 member countries, founded in 1961 to stimulate economic progress and world trade.
OPEC	Organization of the Petroleum Exporting Countries
PJM	PJM – an RTO that coordinates the movement of wholesale electricity in all or parts of 13 states and the District of Columbia.
STEO	Short-Term Energy Outlook published monthly by EIA.
WTI	West Texas Intermediate (also known as Texas light sweet) – a grade of crude oil used as a benchmark in oil pricing.

Data and Methodology

A vast majority of the predictive energy data (consumption, prices, and stocks) used in this appraisal's models are from EIA forecasts drawn from their Short-Term Energy Outlook (STEO). Energy supply and demand is often dependent upon weather-related variables. Therefore, variables such as heating and cooling degree days are also heavily used in the forecasts. Heating and cooling degree days are a commonly used metric for calculating building energy consumption. Deviations from "normal" degree day figures are helpful in understanding variations in consumption of energy commodities (see adjacent chart). Future degree day deviations cannot be known at the time the appraisal forecasts are made, so assumptions are needed. For any model using degree day deviations, the assumption is made that future weather conditions will be approximately "normal" and there will be no deviations from the historical average degree day figure calculated by the National Climatic Data Center at that given point in time during the forecast period.



Monthly data are used for all forecasts in this appraisal. However, certain variables used in the appraisal models are reported or predicted only on a quarterly basis from their respective source. Quarterly data leave data gaps in the monthly time series, therefore extrapolation tools are needed. A cubic spline interpolation tool, used for curve fitting, is employed to acquire the approximate monthly data points in between the quarterly figures that were available for use in the models.

The forecast models used for the appraisal are, for the most part, derived from EIA forecast models used in their preparation of the STEO. More specifically, these forecast models are called ARIMA (Auto Regressive Integrated Moving Average) models. ARIMA models are an econometric tool used by analysts to better understand the relationship between variables, or to predict future points in a time series. The auto regressive and moving average portions of the model mean that past observations and past forecast errors are used in prediction of future observations. The integrated portion of the model means that a transformation was applied to the data for statistical purposes.

Forecast models are frequently evaluated and updated to provide as accurate information as possible so that future energy expectations can be built. However, given that the forecasting models used in this appraisal partly use predictions, extrapolated data, and assumptions of normal weather, the potential does exist for the forecasted value at a given point in time to vary from actual observed values for the same point in time.

Trending Topics

Northern Michigan Ice Storm

Starting March 28 and lasting until March 31, 2025, areas of the northern Lower Peninsula and eastern Upper Peninsula endured several days of accumulating ice – resulting in widespread long-term power outages, fuel supply issues, communications disruptions, hazardous travel, and the accumulation of debris across the areas. Customer power outages totaled approximately 245,000 by March 31, 2025, with several utility companies being impacted, including: Consumers Energy, Alpena Power Company, Cloverland Electric Cooperative, Great Lakes Energy Electric Cooperative, Presque Isle Electric, Upper Michigan Energy Resources Corporation (UMERC), and Alger Delta Electric Cooperative. Transmission companies ITC and Wolverine also had damaged infrastructure.

Restoration efforts proved difficult with areas having between 0.25" – 1.00" of accumulated ice. Diesel fuel supply for the affected region became an issue as a northern Michigan petroleum terminal was without power and the Mackinac Bridge Authority closed the bridge due to falling ice concerns. For more information on this storm, see the National Weather Service's story map March Goes Out Like a Lion: 2025 Northern Michigan Ice Storm.

Allegan County Natural Gas Outages

On April 9, 2025, a TC Energy natural gas transmission pipeline was inadvertently damaged by a third party, resulting in a natural gas outage for approximately 5,200 Michigan Gas Utilities customers (MGU) in Allegan County. The affected area included the city of Saugatuck, the city of Douglas, Saugatuck Township, Ganges Township, Clyde Township, and the city of Fennville.

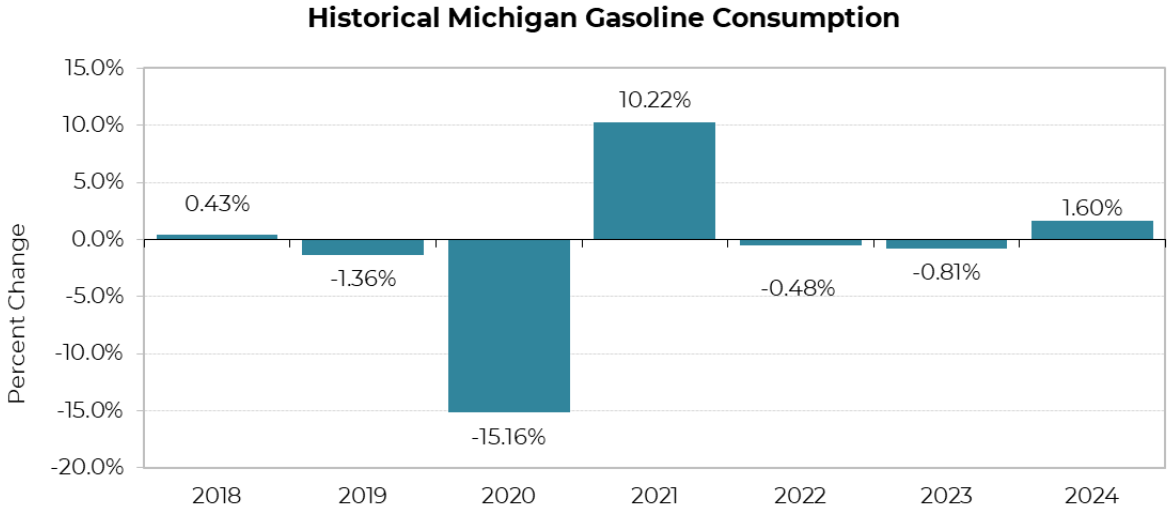
Natural gas service from the TC Energy transmission pipeline to MGU was restored on April 11, 2025. However, then began the multi-phase restoration approach, which included shutting off all meters in the impacted area, repressurizing the natural gas main lines and flushing air out of the system, and finally turning the meters back on so that appliances could be re-lit. By April 14, 2025, MGU estimated more than 80% of customers' natural gas service had been restored.

Motor Gasoline

Demand

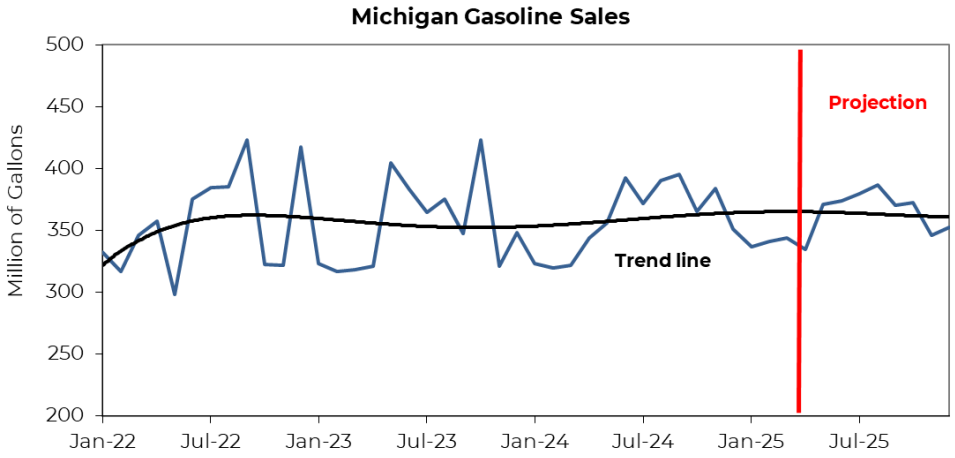
Gasoline sales in Michigan are projected to decrease slightly by 0.78% for 2025 compared to 2024, which saw a 1.6% rise in sales (see Figures 1, 2, and 3). Gasoline demand over the past decade has been relatively flat, with dramatic fluctuations coming only from the impacts of the COVID-19 pandemic. Historically, one determinant of gasoline demand has been personal disposable income – which grew by 2.7% in 2024 from the previous year, and is expected to increase by 2.9% in 2025. U.S. vehicle miles traveled is projected to grow by 0.5% for 2025 – an indication that improvements in gasoline vehicle fuel efficiency are likely helping to lower overall gasoline demand. Additionally, the adoption of electric vehicles (EVs) in Michigan will likely impact future gasoline demand as well. According to the DOE's Alternative Fuels Data Center, the number of EVs, plug in hybrid EVs, and hybrid EVs grew by 138% between 2018 and 2023 in Michigan.

Figure 1



Sources: Energy Information Administration
MI State Budget Office, Monthly Financial Reports

Figure 2



Source: MI State Budget Office, Monthly Financial Reports
Projection: MPSC Staff

Figure 3

Michigan Gasoline Sales Projections
(Millions of Gallons)

			Total All Grades	Historical (prior year)	% Change
Historical	2022	Total	4,281	4,301	-0.5%
	2023	Total	4,246	4,281	-0.8%
	2024	Total	4,314	4,246	1.6%
	2025	January	337	323	4.2%
		February	341	320	6.7%
		March	312	322	-2.9%
Projection		April	339	344	-1.4%
		May	372	356	4.7%
		June	373	393	-5.0%
		July	380	371	2.2%
		August	387	390	-0.8%
		September	371	395	-6.2%
		October	371	365	1.7%
		November	345	384	-10.3%
		December	352	351	0.3%
	2025	**Total**	**4,280**	**4,314**	**-0.78%**

NOTE: These projections are based on Michigan's economy and stable gas prices.
SOURCES: Historical data - Energy Information Administration, U.S. Department of Energy.
Projection -- Energy Security Section, MPSC.

Supply

For the week ending May 9, 2025, 9.38 million barrels per day of gasoline were produced in the U.S. compared to 9.69 million barrels per day for the same week in 2024. In addition to domestic production, 822 thousand barrels per day were imported by the U.S. for the week ending May 9, 2025. National gasoline inventories are currently near the bottom of the five-year range for this time of year. For the week ending May 9, 2025, U.S. total gasoline inventories stood at 224.7 million barrels (25 days of supply), down 3.1 million barrels from the same date last year. Midwest inventories were at 48.4 million barrels, about 1.4 million barrels lower than last year.

Based on the most recent available data, the U.S. refinery utilization rate for the week ending May 9, 2025, was 90.2%, 0.2 percentage points lower than the comparable week of last year. As refineries begin to finish maintenance and gear up for summer driving demand, this rate is likely to increase. The U.S. operable refinery capacity currently totals 18.35 million barrels per day, down from 18.43 million barrels per day at this time last year.

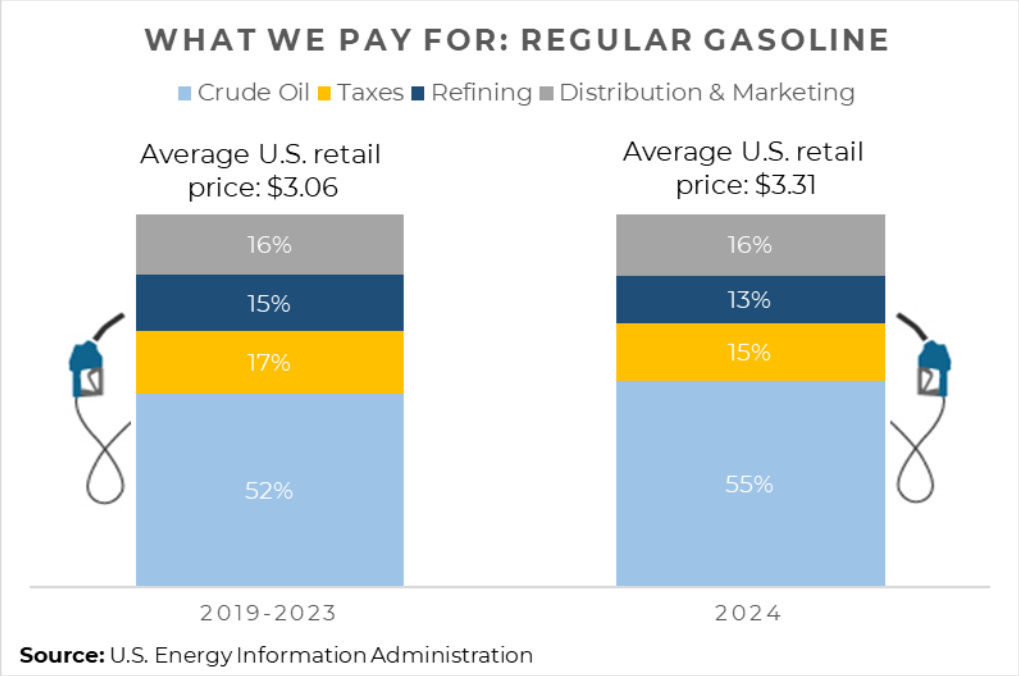
Price

According to AAA, the average price for a gallon of regular unleaded gasoline in Michigan on May 19, 2025, was $3.17, compared to $3.55 a year ago. However, with continued geopolitical risks around the world, crude oil prices could rise again, adding to the cost consumers may have to pay at the pump this summer. Figure 4 below describes the breakdown of U.S. gasoline prices by the individual components that impact the price for gasoline.

The U.S. price of regular gasoline averaged $3.31/gallon in 2024, 21 cents lower than in 2023. Prices did increase through the beginning of 2024, peaking at $3.61/gallon in April before lowering to $3.02/gallon to end the year. The early rise in gasoline prices in 2024 was primarily a result of higher crude oil prices along with tightened gasoline supply in areas of the country.

The EIA projects Midwest regular-grade gasoline prices to average $2.98/gallon during the summer driving season (April-September), compared to $3.34/gallon last summer. Midwest regular-grade gasoline prices are forecasted to average $2.94/gallon for all of 2025. Unforeseen refinery outages, political unrest, adverse weather conditions, or any other disruptions to supply may have the potential to increase national product prices in the short term.

Figure 4



Source: U.S. Energy Information Administration

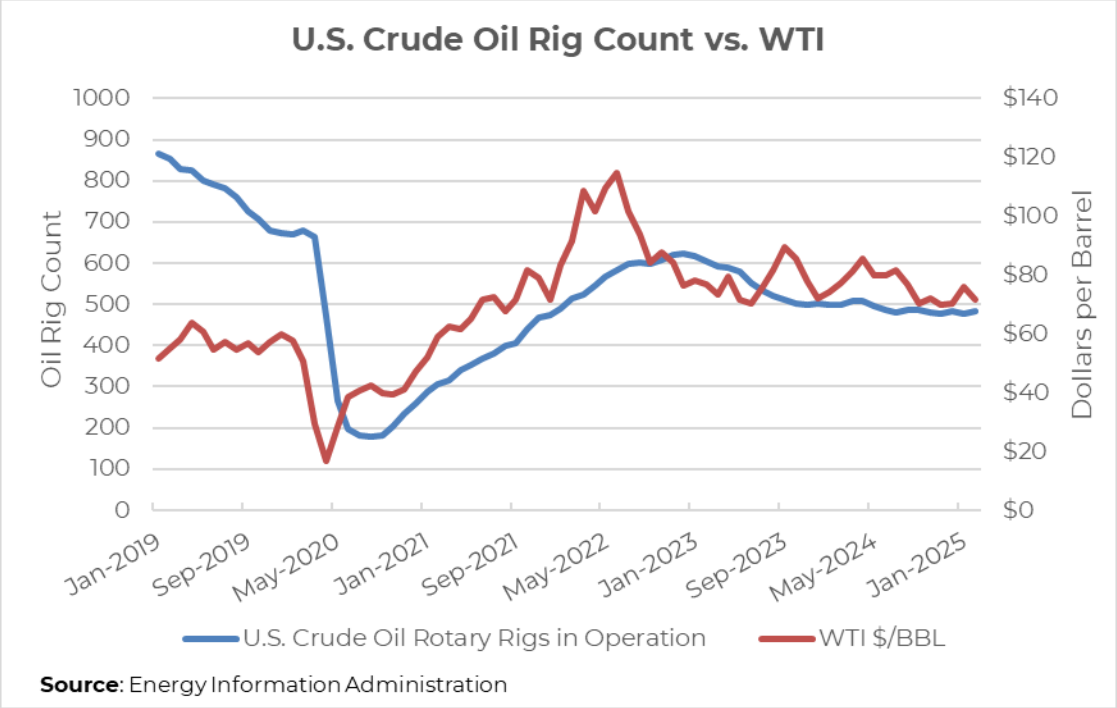
Petroleum

U.S. Outlook

The EIA's May 2025 Short-Term Energy Outlook (STEO) revised U.S. crude oil production figures downward slightly from just a month ago. U.S. crude oil production averaged 13.21 million b/d in 2024 and is expected to increase to 13.42 million b/d for 2025 and up to 13.49 million b/d in 2026. The price for WTI reached as high as $85.35/bbl in April of 2024 as tight supply conditions persisted. A major contributing factor to elevated prices over the past several years has been the backwardation of crude oil markets. Backwardation in a market occurs when nearer futures contracts command a higher price than longer dated contracts. This behavior typically arises when the market is undersupplied in the near term, which then acts to drive up prices. As of May 19, 2025, the futures market for WTI was still in backwardation, with the prompt month at $62.46/barrel and $60.14/barrel for October 2025. Current WTI spot prices reside at $63/barrel and $66/barrel for Brent.

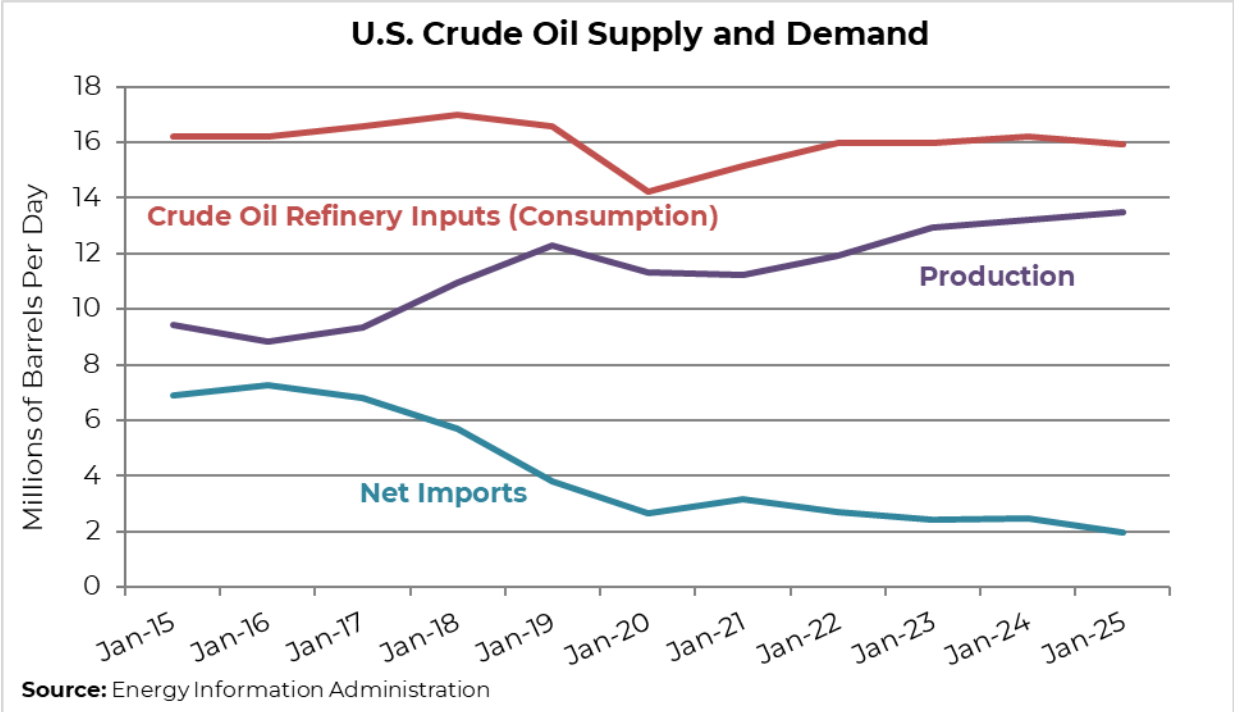
U.S. crude oil stocks currently reside 15.2 million barrels lower than a year ago as demand has outpaced supply additions (see Figure 6). As of May 9, 2025, the U.S. had 442 million barrels in inventory (3.3% decrease relative to 2024) which is below the middle of the five-year range for this time of year. U.S. crude oil exports have slowed recently, with the weekly average ending May 9, 2025, standing at 3.37 million barrels per day – down from 4.13 million b/d a year ago. As shown in Figure 5, the U.S. crude oil rig count tends to follow the price of oil, albeit sometimes with a lag. As the price of oil increases, producers will often increase their drilling activity to increase their production and take advantage of more favorable market conditions. Conversely, when the price of oil falls, drilling activity slows as newly drilled wells become less economical.

Figure 5



Source: Energy Information Administration

Figure 6



Source: Energy Information Administration

World Outlook

The EIA May STEO reports that global petroleum consumption will increase by 0.97 million b/d in 2025 and again rise by 0.9 million b/d in 2026. The increase for 2025 is attributed primarily to non-Organization for Economic Cooperation and Development (OECD) nations.

Global petroleum production and supply is expected to rise by 1.38 million b/d in 2025 and further grow 1.3 million b/d in 2026. The 2025 and 2026 production projections outpacing expected consumption increases demonstrate why lower crude oil prices are anticipated for 2025 and 2026. In May 2025, the Organization of Petroleum Exporting Countries (OPEC) and non-member Russia announced they would continue accelerating oil production in June 2025 with an additional 411 thousand b/d being brought to market. OPEC supply represents approximately a third of the world's petroleum liquids supply and decisions made by the organization can greatly influence the direction of global petroleum markets.

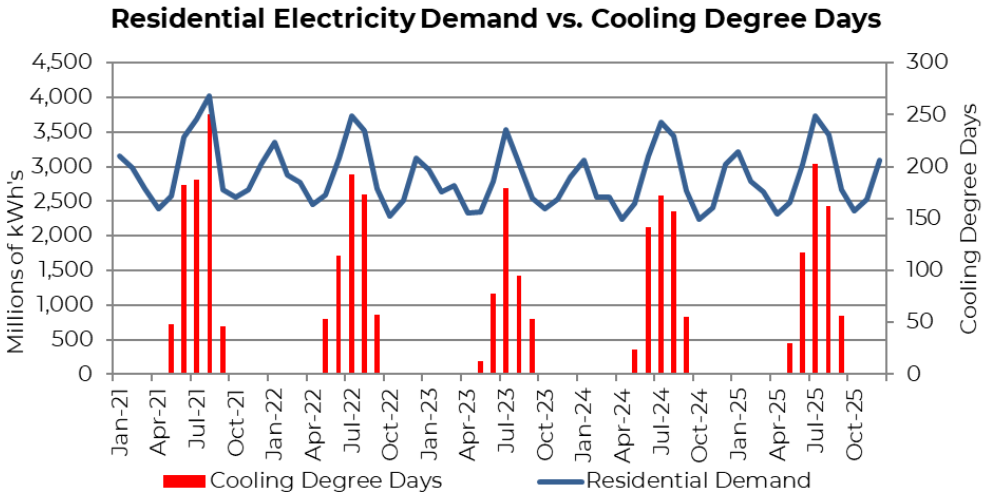
EIA projects that West Texas Intermediate (WTI) crude oil will average $61.81/bbl for 2025 and $55.24/bbl in 2026. The Brent (North Sea) crude oil spot price is forecast to average $65.85/bbl and $59.24/bbl, respectively. WTI and Brent are light sweet crudes used as international benchmarks in spot market pricing.

Electricity

Demand

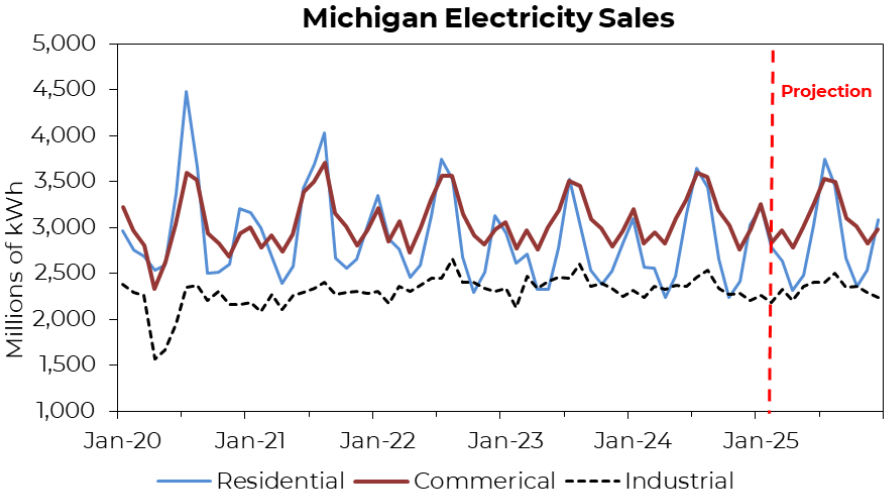
Assuming normal weather, Michigan's total electric sales for 2025 are projected to increase by 0.5% to 99.3 terrawatt hours (TWh) compared to 98.8 TWh in 2024. The increase in sales is expected to come solely from the residential sector (2.9%), while decreases of 0.1% and 1.5% are expected for the commercial and industrial sectors, respectively (see Figures 7, 8, and 9). Two of the primary drivers of electricity consumption in the residential market are for cooling during hot weather and home heating during the winter. Summer 2024 had 3% less cooling degree days than historical averages – indicating a slightly cooler than normal summer. However, NOAA's Climate Prediction Center forecasts a 3.4% warmer than normal summer for 2025. Industrial sector usage of electricity, which is less dependent on weather fluctuations and more highly correlated to economic activity, decreased by 1.6% in 2024.

Figure 7



Sources: Energy Information Administration & NOAA Climate Prediction Center

Figure 8



Source: Energy Information Administration

Figure 9

Michigan Electricity Sales Projection
(Millions of kWh)

			Residential	Commercial	Industrial	Total
Historical	2022	Total	35,035	37,129	28,486	100,649
	2023	Total	32,534	36,534	28,515	97,583
	2024	Total	33,490	37,291	28,045	98,826
	2025	January	3,223	3,258	2,256	8,737
		February	2,846	2,893	2,115	7,854
Projection		March	2,645	2,986	2,311	7,943
		April	2,324	2,797	2,187	7,308
		May	2,489	3,012	2,338	7,838
		June	3,040	3,277	2,383	8,701
		July	3,747	3,543	2,388	9,678
		August	3,464	3,510	2,481	9,455
		September	2,678	3,118	2,333	8,129
		October	2,368	3,025	2,338	7,731
		November	2,540	2,842	2,272	7,654
		December	3,093	2,991	2,219	8,303
	2025	**Total**	**34,455**	**37,252**	**27,623**	**99,330**
2024-2025 Change			2.9%	-0.1%	-1.5%	0.5%

NOTE: Projected electricity sales are based on historical trends.
SOURCES: Historical Data – Energy Information Administration, U.S. Department of Energy. Projection: MPSC, Energy Security Section, using primarily EIA data

Supply

To serve Michigan's electrical needs, load serving entities in Michigan participate in the wholesale electricity day ahead and real time markets operated by their respective Regional Transmission Operators (RTO). Michigan load serving entities also participate in their respective RTO's resource adequacy constructs and capacity markets. Michigan is part of two separate RTOs. Most of Michigan is within the Midcontinent Independent System Operator (MISO) and the remaining southwest section of the Lower Peninsula is in PJM.

The amount of capacity required to serve MISO Zone 7, which includes the Lower Peninsula, for summer 2025 was 21,228 MW. The amount of MISO Zone 7 capacity offered into the market was 21,669 MW with 20,884MW of capacity clearing the auction with a price of $666.50/MW-day. The amount of capacity required to serve MISO Zone 2, which includes the Upper Peninsula, for summer 2025 was 13,190 MW. The amount of MISO Zone 2 capacity offered into the market was 13,464 MW with 14,569 MW of capacity clearing the auction at the same price of $666.50/MW-day.

MISO-wide, the predominant fuel types to clear the summer 2025 auction were natural gas (41.1%) and coal (23.9%). Nuclear (8.2%), wind (4.4%), and solar (6.6%) were also represented in the auction. Although wind and solar represent a small portion of the overall capacity participating in the MISO auction, 9.1 GW of solar and 6 GW of wind capacity cleared the summer auction, compared to 4.9 GW and 5.2 GW in the previous year, respectively.

Price

Year-over-year changes in residential electrical bills can vary from utility to utility, with some residents seeing their bills increase by as little as 1.9% to as much as 22.2% (see Figure 10). These increases are the result of several factors, including broad inflationary pressures, increases in fuel costs, and transmission and distribution costs. In addition, some utilities, particularly smaller utilities like Alpena Power and the Upper Michigan Energy Resources Corporation (UMERC), had not filed for a rate increase in a decade or more. Residential bills in areas of the Central and Western Upper Peninsula, where population densities tend to be lower and the local power grid is challenged by various constraints imposed on and by the surrounding electrical generation and transmission systems, continue to be some of the highest in the state.

Figure 10

Michigan Residential Electric Rate Comparison

	May-24		May-25		Percent
	Monthly Bill	¢/kWh	Monthly Bill	¢/kWh	Change
INVESTOR OWNED					
AEP (I&M) Combined	$88.60	17.72	$94.33	18.87	6.5%
Alpena Power	$83.82	16.76	$94.24	18.85	12.4%
Consumers Energy	$95.54	19.11	$104.78	20.96	9.7%
DTE Electric	$103.72	20.74	$111.30	22.26	7.3%
Northern States Power	$78.52	15.70	$80.03	16.01	1.9%
UMERC - (FORMERLY WEPCO)	$77.64	15.53	$93.55	18.71	20.5%
UMERC - (FORMERLY WPSC)	$74.47	14.89	$91.00	18.20	22.2%
Upper Peninsula Power	$133.01	26.60	$139.87	27.97	5.2%

Note: Monthly Bill calculations are based on usage of 500 kWh/month and exclude state sales tax.

The EIA forecasts residential retail electricity prices in the east north central U.S. to average 17.06 cents/kWh for 2025, an increase of 3.2% from the prior year. Residential and commercial rates are typically higher as it is more expensive to distribute electricity to these customer classes, as they frequently require more miles of low voltage distribution infrastructure, than it is to industrial customers. Variations in electricity demand, weather, and power plant availability can all impact the price consumers pay for their electricity.

Natural Gas

Demand

Natural gas demand in Michigan is expected to rise by 3.5% in 2025, due in part to below average temperatures to start the year. Residential sector usage is expected to increase by 14.7%, with commercial and industrial sector usage also rising 12.7% and 14.3%, respectively (see Figure 11). Demand from the electric power sector is expected to lower by 11.2% after three consecutive years of growth. Weather variation can greatly impact natural gas usage in the electric power sector (see Figure 12). Current projections from NOAA's Climate Prediction Center (CPC) indicate that the 2025 summer cooling season (June-September) may be about 3.4% warmer than the 1981-2010 normal. Deviations from these weather projections could lead to very different consumption patterns as homes and businesses increase their electricity use to combat the heat. In addition to weather influenced demand, consumption for electricity generation is likely to be influenced by the price of natural gas. Total usage for 2025 is projected to be 1,057 Bcf, compared to 1,022 Bcf in 2024.

Figure 11

Michigan Natural Gas Demand

(Billion Cubic Feet--BCF)

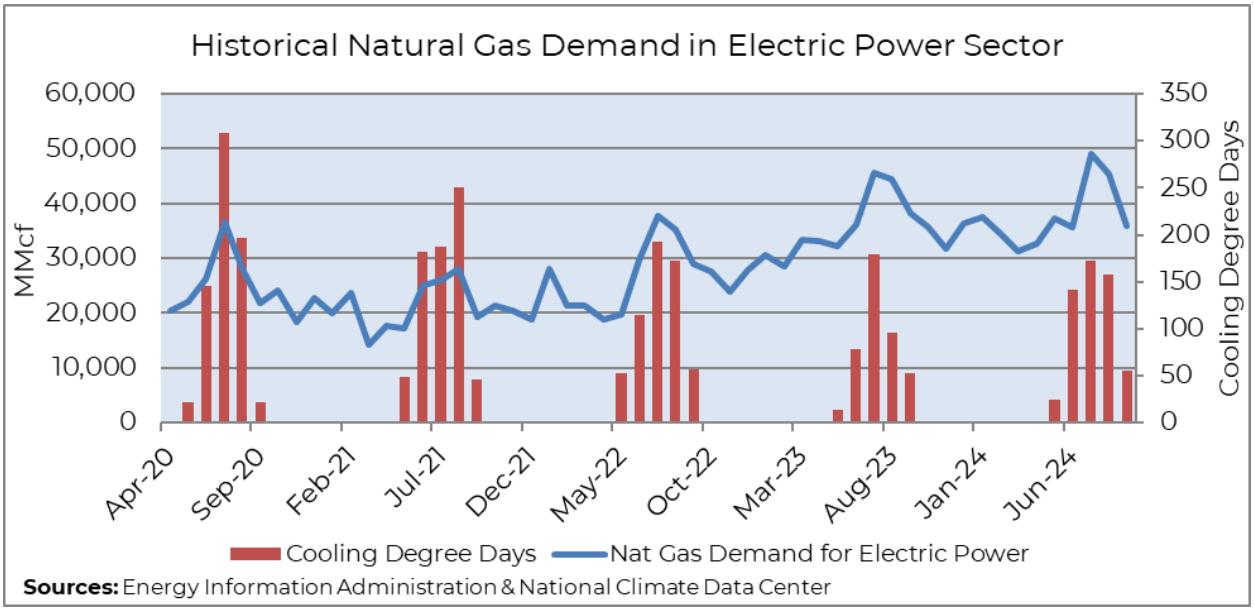
			Total Demand	Residential Demand	Commercial Demand	Industrial Demand	Electric Power Demand
Historical	2022	Total	996.2	328.7	179.3	167.9	320.3
	2023	Total	1,037.0	284.9	163.1	163.1	425.9
	2024	Total	1,022.3	283.0	159.2	151.4	428.7
	2025	January	150.6	65.2	32.5	19.2	33.8
		February	129.5	55.0	29.7	17.4	27.3
Projection		March	107.3	40.6	21.3	16.5	28.8
		April	81.4	24.7	13.7	14.1	29.0
		May	60.1	10.1	8.3	11.7	29.9
		June	55.4	6.5	5.5	11.0	32.5
		July	61.5	5.8	4.9	11.1	39.6
		August	60.6	6.0	5.3	11.6	37.7
		September	55.8	6.6	5.5	11.9	31.8
		October	71.1	17.0	10.0	13.8	30.2
		November	95.9	34.1	16.9	16.0	29.0
		December	128.2	52.9	25.7	18.8	30.8
	2025	**Total**	**1,057.5**	**324.6**	**179.3**	**173.1**	**380.5**
2024-2025 Change			3.5%	14.7%	12.7%	14.3%	-11.2%

NOTE: Projected demand is based on historical trends.

SOURCES: Historical Data – Energy Information Administration (EIA), U.S. Department of Energy.

Projection: Energy Security Section, MPSC, using primarily EIA data (See methodology section for additional detail.).

Figure 12



Supply

Storage levels in Michigan are projected to be 413 Bcf at the end of 2025, which would be 19% lower than at the previous year's end. Michigan has over 10% of the nation's available underground storage capacity for natural gas, the largest of any state. Working gas storage inventories for the lower 48 states were 2,255 Bcf for the week ending May 9, 2025, 14.6% lower than the same time last year. Natural gas storage levels are normally at their lowest levels by the end of the heating season in March and are built up during the summer months. Storage injection typically begins after the end of the heating season and is sensitive to both current market prices as well as price expectations for the upcoming heating season. About 10% of Michigan's natural gas needs are supplied via its own natural gas production wells. However, this production continues to slowly decline as the wells age, becoming uneconomical and shut in.

Price

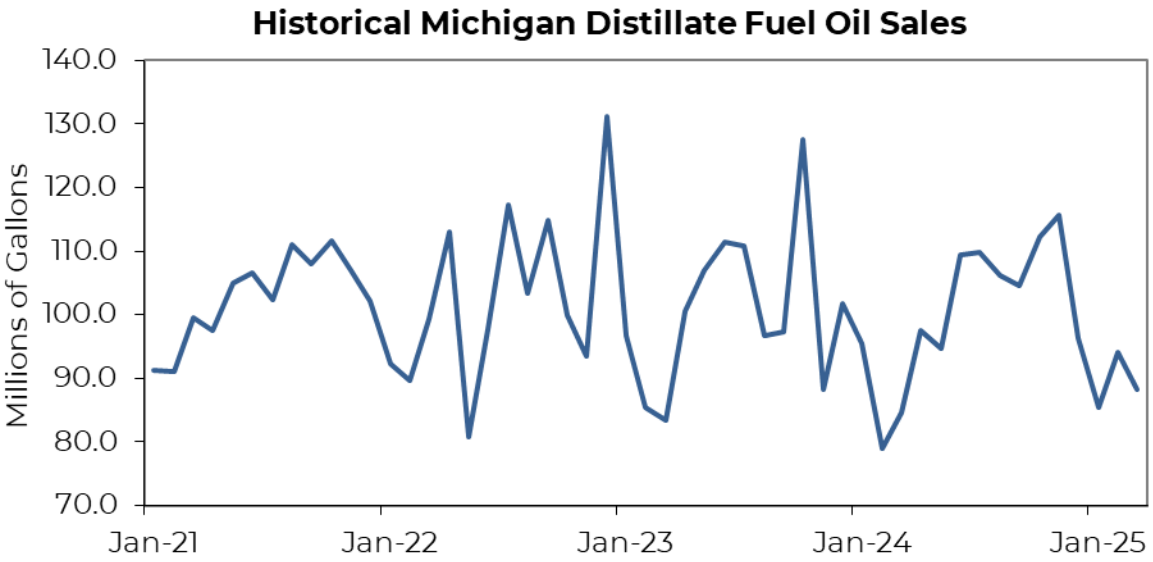
The EIA's May STEO projects Henry Hub natural gas spot prices to average $4.28/Mcf for 2025, an 88% increase from the 2024 average. Prices are expected to rise to an average of $4.98 for 2026. The EIA's projected prices reflect several factors leading to a rise in near term prices including larger than normal withdrawals from storage in January and February 2025 due to colder conditions resulting in below average storage levels to start the injection period in April. Additionally, natural gas exports (pipeline and LNG combined) are anticipated to grow another 16% in 2025. The EIA expects that natural gas production will pick up in 2025 due to higher prices, specifically in the Appalachia and Haynesville producing regions.

Distillate Fuels

Demand

Ultra-low sulfur diesel fuel has historically accounted for 99% of total distillate demand, a majority being used for transportation, with the remainder consisting of heating oil, kerosene, and No. 1 distillate. Other users of distillates, although less prominent, include the agricultural, commercial, and industrial sectors, as well as vessel fueling. Distillate use in Michigan is typically seasonal in nature (see Figure 13) with individual peaks occurring in the spring, late summer, and early fall. These peaks can likely be attributed to farm activity in the spring and fall and increased vessel activity as the Great Lakes become free of ice.

Figure 13



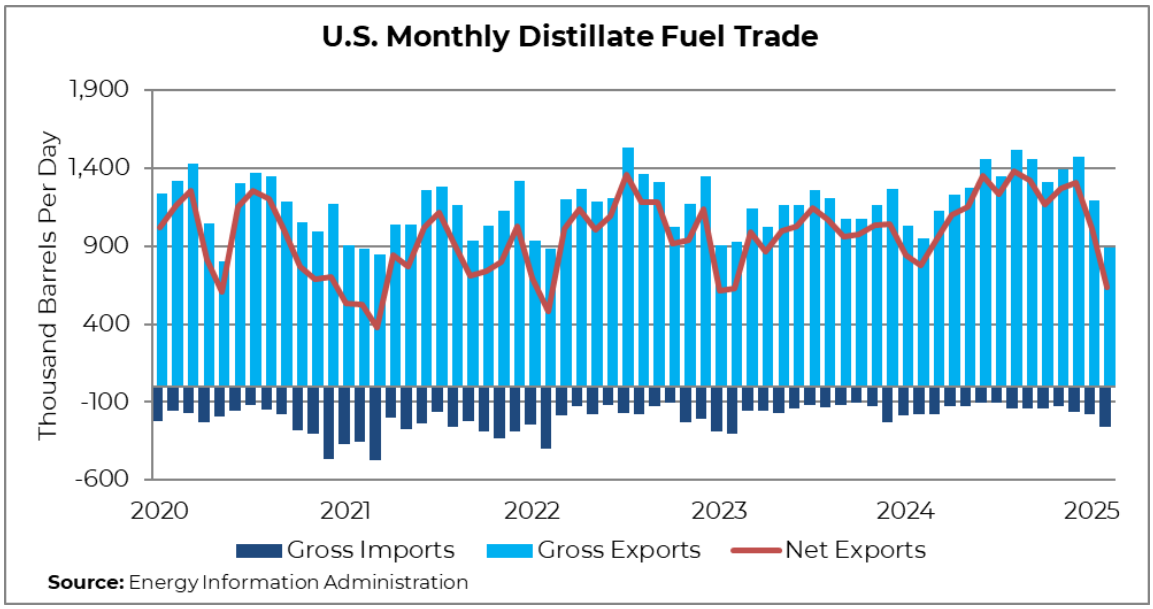
Source: Historical data prior to April 2022 - Energy Information Administration
Note: Distillate fuel sales beginning April 2022 are MPSC Staff estimates based on State Budget Office Monthly Financial Reports.

Supply

For the week ending May 9, national inventories of distillate oil were 103.6 million barrels, about 12.8 million barrels lower than this same time last year. Midwest inventories for the same week totaled 23.8 million barrels, 7.3 million barrels lower than a year ago. National production levels of distillates remain strong, and marginal decreases in year over year inventories are a result of increased demand and a robust export market.

For the week ending May 9, national production of distillates totaled 4.6 million b/d, while net exports averaged 1.3 million b/d (see Figure 14), and consumption averaged 3.8 million b/d. These figures demonstrate why distillate stocks have struggled to build over the past several years when demand plus net exports is nearly at, or even greater than production levels.

Figure 14



Price

Nationally, the EIA expects retail prices for on-highway diesel fuel will average $3.49 per gallon for 2025, a decrease of $0.27 from 2024. However, it is expected that distillate prices will rise slightly for 2026, with prices estimated to average $3.54 per gallon. According to AAA Michigan, the average price of diesel in Michigan was $3.47 per gallon on May 19, 2025, $0.39 per gallon lower than the price seen at this time last year.

The average cost of No. 2 heating oil in Michigan was $3.02 to end the 2024-2025 heating season, $0.55 per gallon lower than the end of the previous heating season. The principal price driver for heating oil is the U.S. refiner acquisition cost of crude oil. Other factors affecting the price of heating oil include the seasonality of demand from weather conditions, competition in local markets, and regional operating costs.

Conclusion

As the summer driving and cooling season begins, residents should expect energy supplies to be readily available to meet their needs. Michigan's energy systems remain robust and are well positioned to meet the evolving needs of consumers in the state. The MPSC Staff will continue their work to ensure this robustness and remain watchful for any risks to the state's energy systems.