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Michigan Electric Choice: Saving Participants Millions — and Ratepayers Billions

Expanding participation in Michigan's existing Electric Customer Choice Program could save ratepayers billions by enabling private capital to cover a portion of future generation investments.

- **$185 MILLION/YEAR:** 2024 savings for participating Choice customers in 10% capped program.
- **$3.5–$4 BILLION:** Estimated utility generation investment avoided for the broader rate base by expanding Choice program to 20% and up to $7–$8 billion at 30% participation.

Michigan is entering one of the largest electric infrastructure investment cycles in its history. Over the next two decades, DTE and Consumers Energy plan to add nearly 30 gigawatts of new generation, storage, wind, solar and natural gas at an estimated cost of $39 billion. That investment could triple electricity rates for everyone, according to estimates published by the Mackinac Center. New generation resources may not be built fast enough to keep up with increased electricity use. But there are ways to meet rising demand while protecting electric customers from higher electricity rates.

Under Michigan's current regulatory framework, the newest generation infrastructure is financed through utility investment and recovered through electric rates, subject to oversight by the Michigan Public Service Commission. Utilities will need to make substantial long-term investments to replace retiring generation and serve future demand, and these costs would be passed on to ratepayers, including the utility's guaranteed return on equity. But Michigan's Electric Customer Choice Program could help.

This existing program has allowed a limited number of qualifying customers to purchase electricity from licensed Alternative Electric Suppliers for more than two decades. Utilities continue to own and operate the transmission and distribution system, offer default service (provider of last resort), and maintain responsibility for reliability. In 2024, customers enrolled in Michigan's electric choice program saved $185 million compared to if they had paid the utilities' average rate, with 30% savings for commercial customers on average and 12% for industrial customers.

This report shows how expanding the existing program can reduce the amount of future utility-owned generation that must be paid through higher electric rates. Michigan's electric choice program would allow participating customers and private capital to finance a greater share of new electricity supply, reducing those costs borne by all ratepayers.

A Ready Solution

Michigan's Electric Customer Choice Program has operated successfully for more than two decades.

- In 2025, 2,172 megawatts of electricity was served to 5,518 customers through alternative suppliers rather than utility-owned generation financed through electric rates.
- State law has capped participation in the program since 2008 at 10% of utility sales.
- More than 5,100 customers remain on the waiting list.

Choice customers continue paying utilities for transmission, distribution and other regulated services. The only difference is how they procure the generation portion of their electric service. Instead of relying on utility-owned generation that ratepayers pay for, choice customers get their supply from alternative providers who privately finance their own generation.

The Opportunity

As Consumers Energy and DTE prepare for a major investment cycle, expanding Michigan's Electric Customer Choice Program and increasing the 10% cap would allow participating customers and private capital to finance a larger share of future generation investment.

Analysis based on historical Michigan utility generation costs indicate that:

- **20% choice** participation would result in savings for ratepayers of approximately $3.5–$4 billion by reducing the need for investments in utility-owned generation.
- **30% choice** participation would result in savings for ratepayers of approximately $7–$8 billion by reducing the need for investments in utility-owned generation.

Every megawatt financed by participating choice customers is one less megawatt the utilities need to finance and recover costs through increased electric rates.

Recommendations

The Michigan Legislature should:

- Expand the Electric Customer Choice participation cap from 10% to 30% through immediate or phased implementation.
- Require utilities to incorporate expected alternative supplier use when forecasting future generation needs.
- Allow new and expanded customer load to participate in the choice program without increasing utility procurement obligations and the associated cap. When electricity demand grows, customers joining the Electric Customer Choice program reduce the amount of new generation utilities must build.
- Allow renewable resources, including nuclear power, procured by Alternative Electric Suppliers to count towards Michigan's "net zero" mandates.
- Act before the current generation investment cycle is substantially committed.

Bottom Line

Michigan will need substantial new generation regardless of the policy path chosen. Expanding Michigan's Electric Customer Choice Program does not eliminate the need to build new generation, but it does change who will finance it.

Rather than requiring all future generation to be financed primarily through higher electric rates charged to consumers, Michigan can expand a proven program that would create a more diverse and balanced investment model. This could be done while preserving utility responsibility for reliability and the state's vertically integrated regulatory framework.

FULL REPORT FORTHCOMING

This brief presents advance findings from forthcoming Mackinac Center research examining Michigan's Electric Customer Choice Program, historical utility generation investment, future resource needs, and the potential ratepayer benefits of expanding customer choice.

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