

City of Ann Arbor: Building a National Blueprint for Municipal-Led Utility

Building a Clean Energy Investment Pipeline in Ann Arbor, MI

AT A GLANCE

Investment Priorities

Residential and Commercial Solar, Geothermal Heating and Cooling (including Thermal Energy Networks), and Virtual Power Plants (VPP).

Pipeline Value

\$83,500,000

Key Partners

City of Ann Arbor, Michigan Saves, Ann Arbor Public Schools (AAPS), and over 1,500 local households and businesses.

Community Impacts

Nearly 80% voter approval for the SEU; targeting lower-income neighborhoods like Bryant to reduce energy burdens and improve resilience.

Strategic Role

Market Builder, Project Originator, Developer, and Owner/Operator

The Path Forward

Seeking up to \$15 million in grant funding and a total of up to \$60 million in initial capitalization to launch the first phase of utility operations without overburdening early adopters.

THE BIG PICTURE

Ann Arbor is pioneering a first-of-its-kind municipal utility model: the Sustainable Energy Utility (SEU). Rather than purchasing the existing electrical grid, the SEU operates as a supplemental and "opt-in" service providing local, clean energy—including solar, storage, and geothermal—directly to residents and businesses. ICLEI's support is helping the City transition from a successful 2024 ballot measure to a structured, financeable utility that can manage a multi-million-dollar portfolio of distributed energy resources.

The Challenge: Residents face rising energy costs. Ambitious decarbonization plans have motivated the creation of a new utility.

The Solution: The SEU creates a parallel municipal service that utilizes utility tariffs, on-bill financing, and virtual power plant payments to fund localized infrastructure.



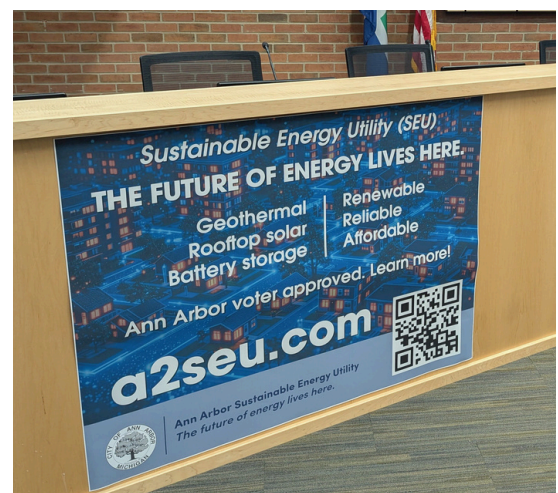
An image of a public engagement session.

CREATING THE FOUNDATION


The SEU is currently building the operational and financial infrastructure required to serve its first 1,500+ interested participants. This foundation includes the development of three distinct revenue streams: utility tariffs for energy delivery, payments for grid services provided by a Virtual Power Plant (VPP), and on-bill financing for residential energy efficiency and electrification. By standardizing and aggregating system deployment and customer demand, the SEU is lowering the "soft costs" of clean energy deployment and creating a predictable environment for long-term investment.

SCALE & REPLICATION

The Ann Arbor SEU serves as a national blueprint for a novel model: a supplemental municipal energy utility. While full municipalization of an electrical grid can cost billions and take decades in legal battles, the SEU model provides a replicable roadmap for any community to take control of its energy future immediately. This framework allows cities to build their own clean energy assets—such as the public solar portfolio or the Bryant neighborhood geothermal network—while remaining interconnected with the existing grid. With the legal and financial structures now in place, this model can be replicated across Michigan and the 1,200+ other communities in the ICLEI network, creating a regional and national surge in municipal climate investment.



An image of Sustainable Energy Utility (SEU) outreach material.



“Ann Arbor’s Sustainable Energy Utility is a bold innovation that will transform energy systems in our city and serve as a model for communities all around the nation. With strong support from our residents, elected leaders, and collaborators - including this generous grant from the Municipal Investment Fund - we’re preparing to deliver energy the way folks want it: clean, affordable, resilient, and local.”

—**Shoshannah Lenski**, Executive Director of the Ann Arbor Sustainable Energy Utility

THE STRATEGIC GAP

To unlock its \$83.5 million pipeline, the SEU must bridge a critical "last mile" of startup capitalization.

- **The Last Mile:** The SEU has secured over \$15 million in grants from DOE, the Michigan Department of Labor & Economic Opportunity, and the Michigan Public Service Commission, and is seeking additional philanthropic support and debt capitalization to cover the remaining funding gap — estimated at up to \$60 million over the first 2–3 years of deployment. Structured financing at this stage will ensure early adopters do not shoulder an unfair burden of startup costs.
- **Projected Returns:** Every dollar of grant or philanthropic support at this stage will "pull through" significant federal incentives – such as elective pay investment tax credits and matching grants – resulting in a leverage ratio that transforms municipal energy from a cost center into a self-sustaining revenue engine.
- **Urgency:** With the SEU now legally established and public demand at an all-time high, securing this initial capital is critical to maintaining project timelines and delivering on the promise of affordable, local energy beginning with a 2026 construction cycle.

This case study was funded through the Municipal Investment Fund (MIF) to support local governments and their partner not-for-profit organizations in developing public-private partnership plans that accelerate the deployment of capital to energy and infrastructure projects.