



# SEU Pilot Rates: Introduction

City Council Work Session  
April 27, 2026



# Agenda

Context and strategic approach

Pilot rates: Bryant neighborhood

Pilot rates: Municipal assets

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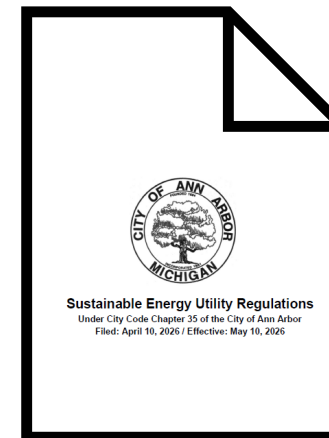
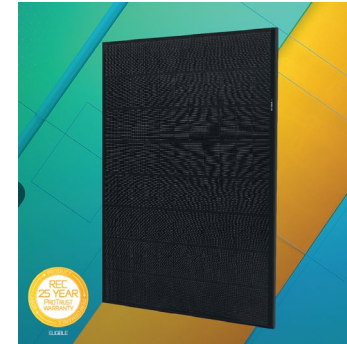
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# The SEU is on track to launch pilot operations this summer, having completed key milestones, including developing recommended rates

- Following several months of intense planning, the SEU is transitioning from an idea to an **operating utility**
- Completed milestones include acquiring **equipment**, finalizing installation **contracts**, developing core **processes**, enrolling our first pilot **customers**, and issuing **regulations**
- On July 1, the SEU will have an Enterprise Fund, a budget, and assets
- A key remaining milestone is **recommending and adopting rates** for our first services. Recommended rates will be brought to City Council meetings on May 4<sup>th</sup> and 18<sup>th</sup> for first and second readings, for rates effective July 1



# Recommended rates shared today are for two initial pilot services

Grant-funded solar + storage in Bryant neighborhood



Existing City-owned, grant-funded solar and solar + storage systems



Rates for general, City-wide services will be developed over the course of the summer

# A team of competitively-selected, expert consultants from Exeter and Ricardo has been working for months to prepare these rates



## Brendan Larkin-Connolly

*Managing Consultant* | [Co-Project Manager](#)

- Utility cost of service and rate design specialist
- Testified in 25+ public utility commission proceedings on behalf of utility ratepayers

## Felipe Salcedo

*Principal / Vice President* | [Project Director](#)

- Utility finance & cost of service expert
- Significant experience working with municipal water companies on budgeting and financial planning

## Kyle Levesque

*Energy Infrastructure Lead North America* | [Co-Project Manager](#)

- Utility, and Commercial & Industrial design specialist
- Technical expert witness for PV

## Maria Nieto

*Principal Consultant*

- Energy planning and regulatory advisory specialist
- Experience in tariff reviews, regulatory frameworks, and decarbonization modeling across global markets

## Matilda Maia

*Senior Consultant*

- Supported regulators & public institutions in emerging markets.
- Specialized in cost-reflective tariffs, renewable licensing frameworks, and energy investment economics

# The team began by following standard principles, practices, and formulas for cost-of-service based ratemaking



## 1. Set Revenue Requirement

Determine the total amount the utility needs to collect to cover its costs and remain financially sustainable

## 2. Allocate Costs

Assign total costs to customer classes (e.g., residential, commercial) based on how each group drives those costs

## 3. Design Rates

Translate each class's allocated cost into a rate structure. Rates should recover the revenue requirement and send right price signals

# We found using traditional cost-based approach for a start-up utility would punish early adopters

- We are a startup with some fixed administrative costs (e.g., employee salary, billing software)
- Spreading those costs over an initial customer base of less than 200 accounts would result in very highly monthly cost (>\$200)
- Spreading those costs over the thousands of customers we expect to have in the future, SEU rates are anticipated to be competitive with or better than retail electricity prices



Our modeling confirms standard cost of service rates will be viable as the SEU scales

# In the interim, we propose a common model for pilots by setting rates based on value

Instead of the traditional rate setting approach where we ask...

What do our costs require us to charge?

...our alternative approach considers...

What is the value of the service to a participating customer?

- **Value** is defined as the **reduction in total energy bill**, comparing what customers would pay under DTE service alone versus DTE service plus the SEU solar and battery system
- Delivering value to customers will enable us to **enroll more customers** and help us **build to scale more rapidly** (which is what allows cost-of-service based rates to deliver value)

# We also made the decision to set fixed rates based on the capacity of installed systems, rather than variable (per kWh) metered rates

- Reflects actual fixed cost nature of the service (no fuel or other variable, production-driven costs)
- Avoids unnecessary metering equipment purchase, installation, and maintenance
- Supports predictable budgeting and simplified billing for both customers and the SEU
- Allows SEU to inclusively accept willing customers regardless of how shady or sunny their roof is (expected production)
- Adheres to state law and ratemaking principles



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## In the Bryant neighborhood, we identified three guiding principles



**Offer value** to participants (energy bill savings and a positive experience)



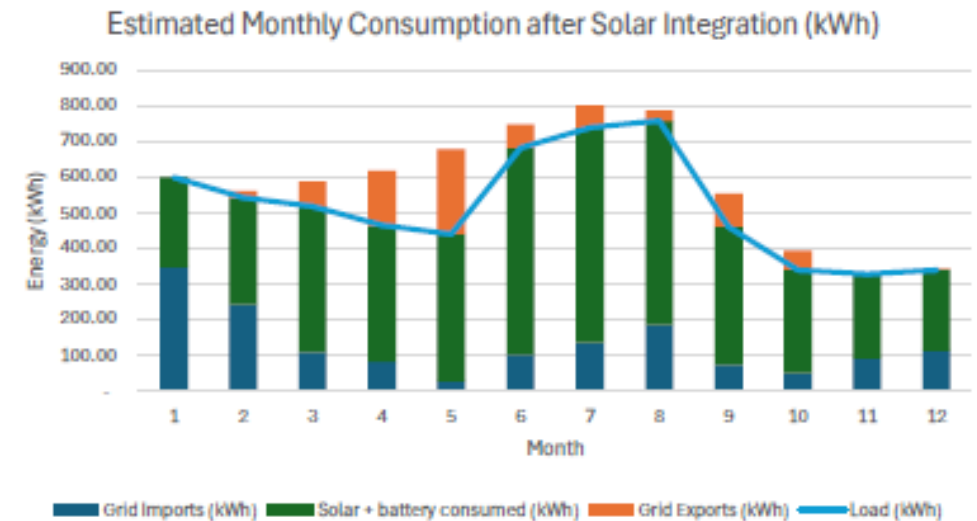
**Be inclusive** (enable as many participants as possible)



**Get it done!** (make implementation as simple and frictionless as possible)

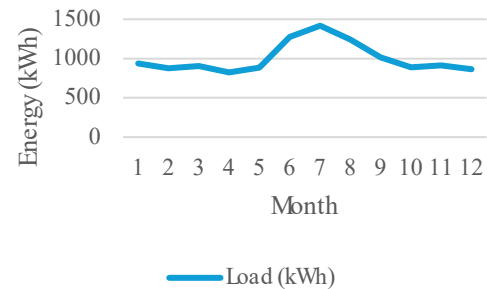
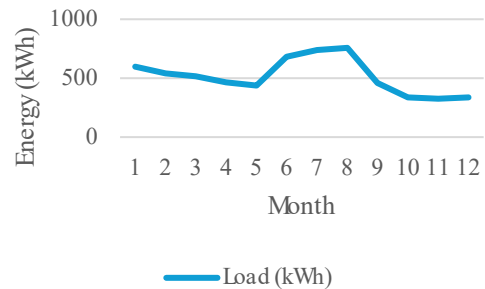
# Guided by those principles, we iteratively modeled a range of system configurations and rates

- We used household energy consumption data and solar production estimates to explore combinations of *system configurations (solar capacity) and rates*
- Given grant funding sufficient to fund 100-150 systems, we needed to ensure that our offering would be both appealing to, and feasible for, at least that many households
- We landed on offering a **standardized configuration** sized to fit ~200 households' physical roof space and DTE's production limits
- Then we could model appropriate **rates** for that system based on its **value**



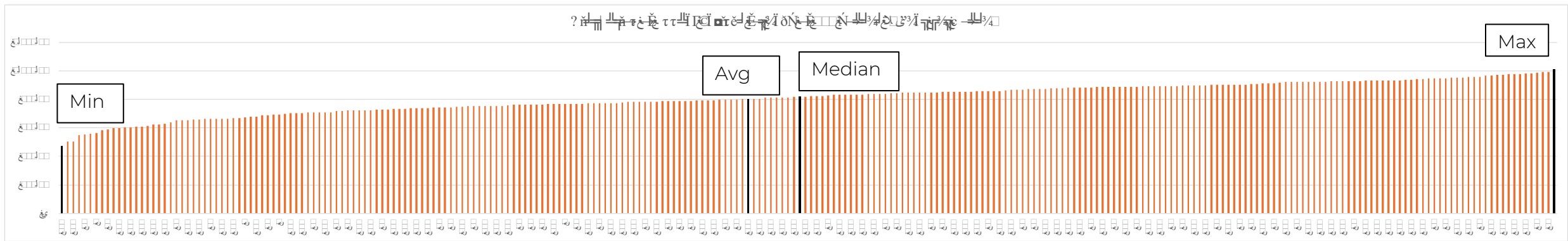
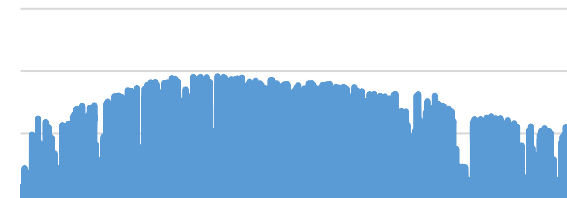
# Before any SEU charges, most participants would save ~\$600 or more on their annual DTE bill using the standard system configuration...

Range of home energy profiles



Generic good solar generation profile

Hourly annual solar generation

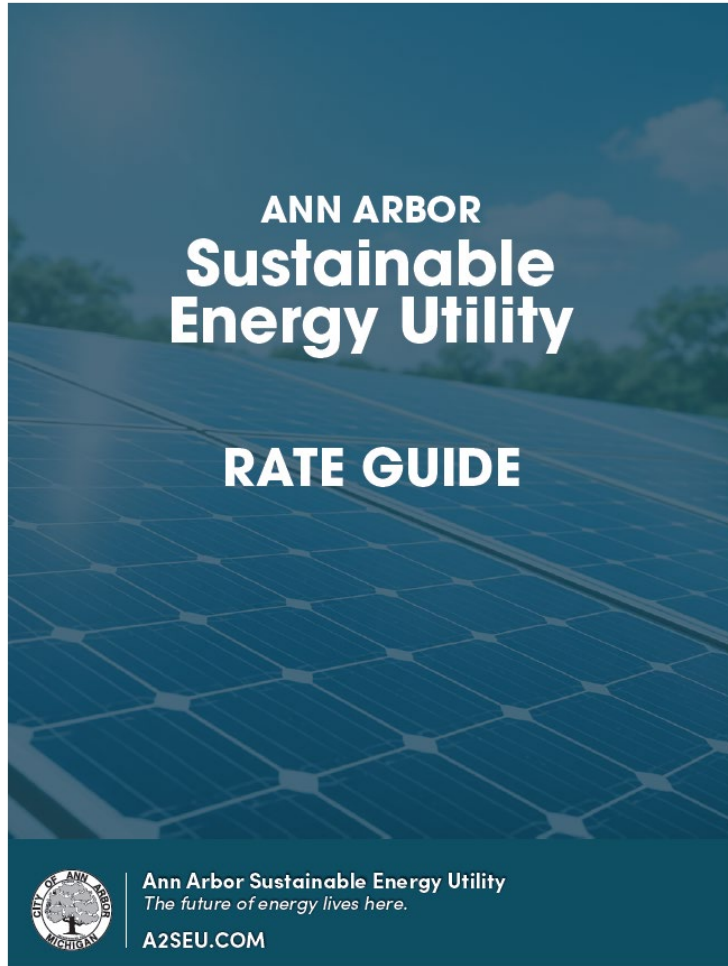


## ... so if the SEU rates equate to \$600 / year, most residents should net total annual energy bill savings

- The recommended recovery of \$600/year equates to **\$50/month**
- To help manage monthly energy bill cash flows we will **charge seasonally: \$75/month between April-September** (high solar production) and **\$25/month from October-March**
- Under this seasonal structure most participants will see not only *average* annual savings but also usually monthly savings
- In addition to financial savings, residents accrue **year-round resilience benefits** (battery backup during outages)



# RATE BOOK



## Ann Arbor Sustainable Energy Utility

### Tariff No. P-1: Bryant Solar and Battery Service Pilot Rate

**a. Availability:** Available to eligible residential customers with a service address located within the Bryant Neighborhood of the City who maintain an active electric service account with DTE and request service using the form provided by the A2SEU for participation in the Bryant Neighborhood Pilot Program prior to September 30, 2026. This date may be adjusted at the sole discretion of the Director.

**b. Effective Date:** July 1, 2026.

**c. Expiration Date:** June 30, 2030. Following June 30, 2030, customers receiving service under this Tariff No. P-1 will be transitioned to a duly adopted replacement tariff. If there is no applicable replacement tariff in effect as of July 1, 2030, customers may continue taking service under this Tariff No. P-1 until an applicable tariff is duly adopted and takes effect.

**d. Nature of Service:** The A2SEU will install, own and maintain a 4.5 kW (DC) rooftop solar array and a 15 kWh battery storage system at each participating customer's service address. The default setting for customers taking service under this Tariff P-1 will be non-export of solar energy. The A2SEU may help customers apply for export interconnection with DTE and permit customers to export excess energy and receive the proceeds of any sale of excess energy to DTE under the terms of any approved DTE tariff. Approval of interconnection and eligibility for and revenue from DTE export credits is not determined or guaranteed by the A2SEU. The A2SEU may assist customers with the DTE interconnection process and pay associated interconnection fees on behalf of the customer; however, if DTE's permission to operate is contingent upon payment for grid upgrades that the A2SEU believes (in its sole discretion) are not reasonable for the A2SEU to bear, the A2SEU may decline to serve the customer, or may require the customer to elect a non-export interconnection as a condition of service.

The battery storage system will be used to store excess energy for use during non-generating hours and/or grid outages. The battery may also, at the A2SEU's sole discretion, be used as part of a virtual power plant or demand response program. Any revenues received by the A2SEU for such a program will be applied to offset the costs of service and will not be paid to the customer directly. Until and unless it is permitted under a DTE tariff, the battery storage

system will not export stored energy to the DTE grid, and customers should not expect to receive direct payments for any export of energy from the battery.

**e. Rates:** Participating customers will be charged a monthly fee for solar and battery service according to the following schedule:

PERIOD	AMOUNT	UNITS
October-March	\$25	Per month
April-September	\$75	Per month

This is a pilot rate that reflects the estimated value of the solar and battery service to participating customers. The varying rate reflects the seasonal difference in value provided by the solar system.

**f. Other Charges:**

**i. Removal Fee:** If service is terminated resulting in the removal of the solar and/or battery storage system prior to July 1, 2030, the customer will be charged a removal fee equal to the lesser of (1) the actual cost of removal, inclusive of disposal, recycling, or similar charges, of the solar and/or battery equipment, or (2) \$2,500.00.

**ii. Late Payment Fee:** A late payment fee of 1.5% of any amount in arrears shall be assessed monthly and charged to the customer.

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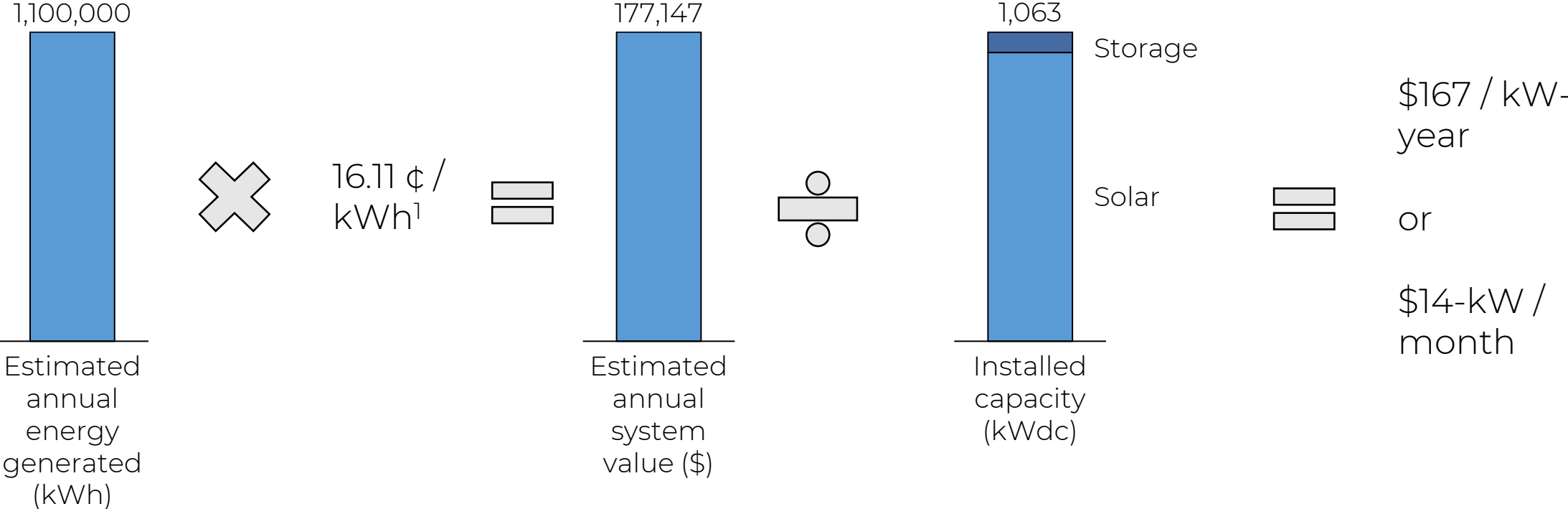
# The City intends to grant the SEU ownership of grant-funded solar and solar + storage systems within City limits



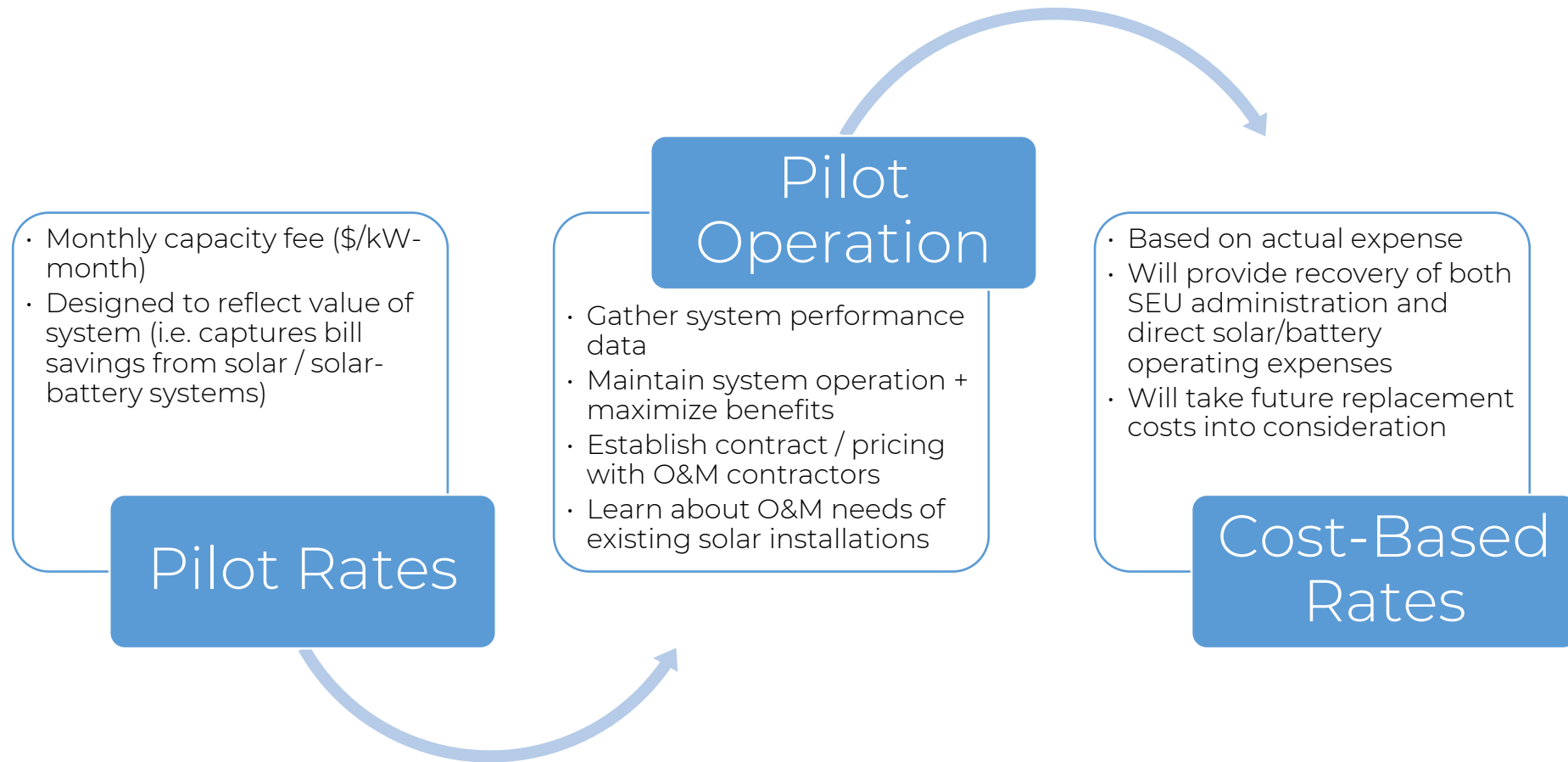
- SEU will ensure active monitoring for performance and production, value assessment
- Responsible for ongoing maintenance and upkeep
- Having these assets allows SEU to grow faster

Used value-based approach (like Bryant pilot) to address problems of burdensome costs for early adopters; intend to switch to cost-based rates as SEU grows

# We set municipal solar pilot rates to be comparable to the rate that facilities would otherwise be paying DTE to purchase the energy

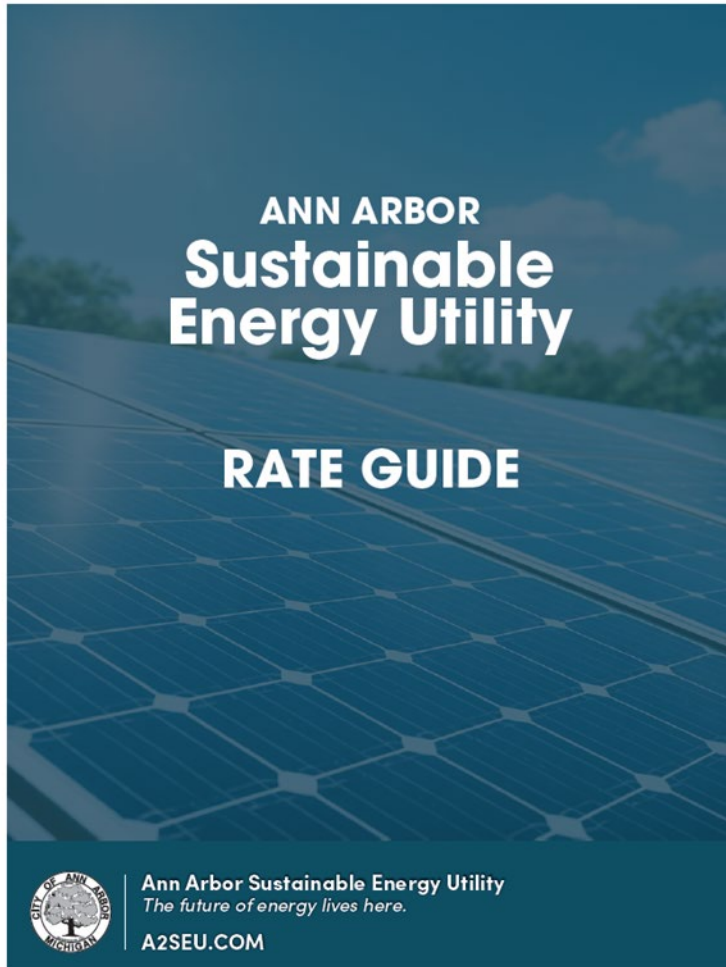


# Pilot municipal rates are intended to be temporary



SEU will use pilot years to gain significant insight into system operations, energy production, value, and O&M costs. Later cost-based rates will reflect both growth and these learnings

# RATE BOOK



## Ann Arbor Sustainable Energy Utility

### Tariff No. P-2: Municipal Solar and Battery Service Pilot Rate

**a. Availability:** Available to departments of the City with solar systems or solar and battery storage systems installed at department facilities within the city limits of the City of Ann Arbor that elect to transfer such systems to the A2SEU during the term of this Tariff No. P-2.

**b. Effective Date:** July 1, 2026.

**c. Expiration Date:** June 30, 2027. Following June 30, 2027, customers receiving service under this Tariff No. P-2 will be transitioned to a duly adopted replacement tariff. If there is no applicable replacement tariff in effect as of July 1, 2027, customers may continue taking service under this Tariff No. P-2 until an applicable tariff is duly adopted and takes effect.

**d. Nature of Service:** The A2SEU will own, operate, and maintain solar systems or solar and battery storage systems installed at participating facilities. Solar systems generate electricity that may partially replace purchases of energy from DTE. Battery storage systems store energy for use during non-generating hours and/or grid outages. The battery storage systems may also, at the A2SEU's sole discretion, be used as part of a virtual power plant or demand response program. Any revenues received by the A2SEU for such a program will be applied to offset the costs of service and will not be paid to the customer directly.

Participating departments will receive the energy produced by the installed solar systems, the resiliency benefits of the installed battery storage systems, and ongoing operation and maintenance by the A2SEU while maintaining current interconnection requirements and DTE tariff elections.

**e. Rates:** Participating departments will be charged a monthly fee for service based on the installed capacity of the solar system or solar and battery storage system at each facility.

TECHNOLOGY	AMOUNT	UNITS
Solar	\$14	Per installed kWDC per month
Battery	\$14	Per inverter capacity kW per month

This is a pilot rate that reflects the estimated value of the solar service or solar and battery storage service. Departments with both solar and battery systems will be charged for each technology individually based on the respective installed capacity.



**THANK YOU & QUESTIONS**

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