



First Annual Report on the Ann Arbor Sustainable Heating Franchise

August 2026



Report Overview

This report chronicles the activities and accomplishments associated with year one of the Ann Arbor and DTE Heating Franchise. The report is organized around the major work streams identified in the Year One Agreement Regarding Climate Action.

Energy Waste Reduction (“EWR”)

Significant progress was made in this area during the first year of the work plan. In particular, through monthly meetings, the City and DTE Gas collaborated on designing a new “Insulate Ann Arbor” program to provide funding support to landlords, property management firms, and renters specifically for insulating rental units in the City. This work included a redesign of the DTE landlords and tenant webpages, coordination between DTE efficiency rebate programs and the City’s rebate programs, and co-strategizing on outreach and implementation.

The Insulate Ann Arbor program launched on April 23, 2026 and includes a commitment of at least \$500,000 from DTE and another \$500,000 from the City of Ann Arbor for its pilot phase. Should the program prove successful and impactful, DTE and the City DTE will incorporate the pilot program into a future EWR plan filing(s) with the Michigan Public Service Commission (“MPSC”), and the City will support the program before the MPSC.

Geothermal

During this first year of the franchise, the City was awarded a \$10,000,000 grant from the U.S. Department of Energy to advance a networked geothermal system in the Bryant neighborhood. This award was initiated in October of 2025 and has necessitated intensive time and attention from City staff. Specifically, staff have been working on contracting processes, design updates, community engagement, and rate modeling for the system. DTE wrote a letter of support on behalf of this grant application and has demonstrated an interest in supporting, where needed.

Because the City will be using competitive procurement processes to move the Bryant geothermal project forward, DTE and the City have not directly collaborated on this task. Instead, DTE attended an open house on February 20th in which we discussed the geothermal project and sought feedback from prospective bidders. They also submitted a letter of support to the U.S. Department of Energy indicating they were prepared to bring capital to the table to help make the Bryant geothermal project a success, should they be chosen as a financier and project partner via the City's competitive procurement process.

In addition, DTE and the City have stayed in communication about the project, have met to discuss location of utility assets in the Bryant neighborhood, and have discussed opportunities to coordinate construction schedules. The City is working on Requests for Proposals (RFPs) and other related contracting documents and should be releasing those in the coming months. Once a contractor(s) is selected, the City and DTE will be able to resume appropriate collaboration discussions

City Facility Energy Use

This first year of collaboration, the City explored and applied for the DTE Energy Management Program to help identify and lower energy usage, expenditures, and emissions from municipal operations. The City was notified that it will be receiving a part-time Energy Manager and the team met with this person to start initial work planning. No other immediate actions were taken to address emissions from municipal operations in this first year.

Biodigester

Significant time and attention was dedicated by DTE and City staff towards evaluating the feasibility of a biodigester at the City's water recovery facility during this first year of the agreement. DTE brought in technical partners to multiple meetings to help the City evaluate the possible generation potential and associated costs for installing a biodigester. Upon review of information shared, including details provided by the City's own consultant, the City has decided to put a biodigester on hold for the time being. As such, no further work is expected this year or next on this topic.

Support a Just Transition for Workers

During this first year the City was able to secure some resources from the U.S. Department of Energy to assist in the creation of a workforce development and retraining program for plumbers and pipefitters so that they can become more familiar with geothermal technologies. The City worked with U.A. Local 190 to hire a staff person that will lead local workforce development activities.

Work remains to be done under this agreement to grant the required \$50,000 per calendar year for three years to Local UA 190 and to ensure Local UWUA 223 receives its \$50,000 per calendar year for three years to support both organization's thermal energy network and/or geothermal system workforce development activities.

Data Access and Transparency in Progress

As part of the franchise, both parties agreed to report annually to Council and the public on activities related to the Agreement on Climate Action (ARCA) as well as general collaborations. This report is one key element of that work. In addition, representatives from DTE and the City of Ann Arbor presented on progress to-date at the March 2026 Sustainability Commission meeting.

Additionally, the parties have been actively working on data-related challenges. These challenges have ranged from getting information in a timely manner, get the requested information, and getting actionable information – all while respecting the Michigan Public Service Commission rules on data aggregation. As of this report writing, most data the City needed for its annual greenhouse gas emissions reporting was received. A few lingering pieces of data are still needed and requests have been put in for that information. Additionally, the City is preparing comments to present to the Michigan Public Service Commission on why it believes the data aggregation standards they established are too aggressive.

Both parties still have work to do related to creating joint messaging regarding emission reduction opportunities pertaining to building heating and cooling solutions. This workstream was de-prioritized given other time sensitive and pressing priorities.

Additionally, the parties still have work to do to establish regular meetings on data access and data quality. Right now, these issues are addressed in the quarterly full team check-ins. While this has proven an effective venue for high-level conversations, the parties are moving in to more specific and detailed conversations that necessitate unique meetings with key stakeholders. Work to establish these meetings will advance in year two of the franchise.

Infrastructure Coordination

During this first year of the franchise, DTE and City infrastructure planning staff met regularly to review upcoming work in the City's rights of way. Initial coordination efforts focused on the 2026 construction season and opportunities where DTE and the City could coordinate improvements to minimize repeat disruption for residents and protect critical infrastructure from damage.

Notably, as a result of these discussions, DTE advanced gas main replacement projects on Zina Pitcher Place and along Fourth Avenue in downtown Ann Arbor to complete work ahead of city capital infrastructure projects on Fourth Avenue, Ann Street, Packard Street, and Zina Pitcher.

Staff from the City's road resurfacing program and DTE's gas renewal program continue to coordinate closely on the alignment of work in overlapping areas of need. This coordination has been working well and both parties expect it will continue to improve over time.

Other Collaborations

In addition to the aforementioned activities, DTE Gas and the City have:

- Had multiple meetings to discuss data aggregation standards and work around solutions.
- As needed meetings to address any direct customer complaints the City is aware of.
- Explored grant opportunities to advance climate action in the City and throughout DTE's territory. Unfortunately, many of these grant opportunities that were originally of interest are no longer available. But the parties continue to share opportunities as they relevant.
- Started to explore shared language for how to discuss the ARCA at public forums, including at national and regional conferences.

Next Steps

Together, the City and DTE Gas have made notable progress, as denoted above, to advance workstreams outlined in the ARCA. As we embark on our second year of the work plan, the parties will look to institutionalize the promising practices that have started to emerge while expanding on areas where opportunities still exist (e.g., data access, transparency, customer complaints).

Year two will also have a focus on identifying strategies to decarbonize municipal buildings and the exploration of geothermal in the community. Finally, the parties will spend time in the second year of the ARCA exploring what the next 2-year work plan should look like – leveraging the lessons learned and experienced gleaned through ongoing work. watermark

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More Information

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