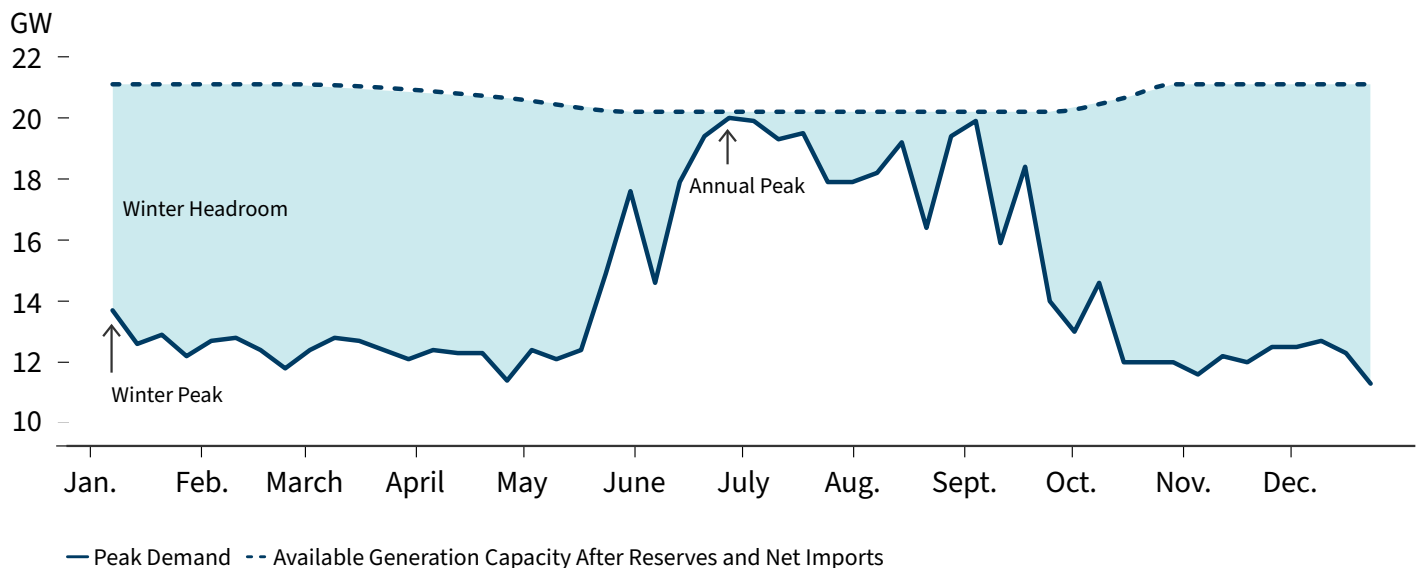


Michigan can put downward pressure on electricity rates by deploying heat pumps to better utilize the grid

Increase grid utilization



Michigan has roughly 7.6 gigawatts of winter headroom, resulting in underutilized winter grid capacity. This is enough room to add a mix of all-electric and hybrid heat pumps in 3.6 million homes — **30 times the number today** — within the current grid. This makes better use of Michigan’s existing electric grid.

Reduce electricity rates

27%



Heat pumps can increase electricity sales without expanding generation capacity, putting downward pressure on electricity rates. Upgrading all 3.6 million homes with heat pumps could reduce electricity rates for all residential customers by roughly 27% relative to what they would otherwise be, **saving Michiganders \$380 annually, or \$1.7 billion per year across all residents.**

Reduce emissions

16%



Upgrading all 3.6 million homes to heat pumps could **cut Michigan’s residential emissions by 16%, or 8.4 million tons of CO₂.**

See policy recommendation on the next page.
Read the full report at <https://rmi.org/>

Policy recommendations

- 1.** The governor should **establish an interim 2030 heat pump deployment target** to support Michigan's goal of 2.8 million residential heat pumps by 2040, and explicitly incorporate it into the state's electricity affordability strategy. Growing from roughly 120,000 homes with heat pumps today to 600,000 by 2030 illustrates an impactful, actionable goal given annual HVAC replacements and adopting the below policies.
- 2.** The Michigan Public Service Commission (MPSC) should **encourage utilities to prioritize all-electric and hybrid heat pumps over conventional AC and fossil fuel equipment, including fuel switching**, in the utility Energy Waste Reduction incentive programs to maximize immediate downward pressure on electricity rates.
- 3.** The MPSC should reaffirm its 2026 electricity affordability recommendation to **reform residential electric rates** to more accurately reflect seasonal and marginal system costs and avoid overcharging heat pump customers.
- 4.** The Michigan Department of Licensing and Regulatory Affairs (LARA) should **update the Michigan Residential Code to encourage heat pumps when central air conditioners are replaced**.
- 5.** LARA should **update the Michigan Residential Code to encourage heat pumps in new construction**.

