

January 27, 2026

VIA ELECTRONIC FILING

Sasha Bergman, Executive Secretary
Minnesota Public Utilities Commission
121 7th Place East, Suite 350
St. Paul, MN 55101-2147

Re: In the Matter of the Petition of Northern States Power Company for Approval of Capacity*Connect, A Distributed Capacity Procurement Program

Dear Ms. Bergman,

Clean Energy Economy Minnesota (CEEM) respectfully submits these supplemental comments for PUC Docket Number: E-002/M-25-378. In the Matter of the Petition of Northern States Power Company for Approval of Capacity*Connect, A Distributed Capacity Procurement Program.

Our mission at CEEM is to provide educational leadership, collaboration, and policy analysis that accelerates clean energy market growth and smart energy policies. We work to support and expand clean energy jobs and the economic opportunities provided by clean, reliable, and affordable energy on behalf of all Minnesotans.

Please feel free to contact us with any questions that you may have. We hope that these initial comments below provide you with useful insights.

Regards,



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Director of Government Affairs
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**STATE OF MINNESOTA
PUBLIC UTILITIES COMMISSION**

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In the Matter of the Petition of
Northern States Power Company for
Approval of Capacity*Connect, A
Distributed Capacity Procurement
Program

Supplemental Comments

Docket No. E-002/M-25-378

January, 27, 2026

SUPPLEMENTAL COMMENTS

Clean Energy Economy Minnesota (CEEM) appreciates the opportunity to provide supplemental comments on Xcel Energy's proposed Capacity*Connect (C*C) program. CEEM and its members support the development of new tools to address growing distribution system needs and recognize Capacity*Connect as an important opportunity to pilot innovative approaches to grid planning, interconnection, and resource deployment. As the Commission considers the program design for Phase 2, CEEM offers these comments to help ensure that the program delivers near-term system value while also generating meaningful lessons to inform future phases and broader distribution system reforms.

As Xcel mentions in their reply comments, the sheer volume of interest in the opportunity C*C provides was evident in initial comments. We believe, even among fairly disparate starting positions, there remains significant overlap in stakeholder priorities and a legitimate opportunity to approve a program that both modernizes our distribution grid and provides opportunity for local clean energy businesses. That overlap presents an opportunity for the Commission to approve Phase 2 while also ensuring it generates decision-grade lessons that meaningfully inform future phases of the program.

While we appreciate Xcel's commitment to competitively bid 80 percent of the program budget and their preference for full company ownership of all program assets, we believe a fairly significant middle ground is being missed between those two positions. In particular, CEEM is concerned that a Phase 2 design that concentrates both development and ownership risk with the utility risks turning a pilot program into a default long-term model before alternatives are fully evaluated.

First, it's important to remember that developers in Minnesota operate under a variety of models when it comes to project ownership. While some developers aim to own and operate projects long term, others develop primarily to sell the asset to the local utility, an on-site customer, or an asset manager that specializes in owning and operating clean energy projects. CEEM pointed this out in our initial comments, where we also discussed how allowing the project bidder, aka developer, to transfer ownership of the BESS asset to Xcel at certain project milestones (e.g., placed in service or notice to proceed) could help structurally shield ratepayers from the financial losses of failed projects. This type of structure would preserve Xcel's ability to own and operate C*C assets over their useful life while ensuring that early-stage development risk is borne by parties best positioned to manage it.

Second, many Minnesota solar developers (including some CEEM members) have a decade or more of experience in identifying project sites, analyzing and navigating project risk, navigating local permitting jurisdictions, and solving difficult interconnection scenarios. They have the ability to not only provide value in building out C*C but also to take on some of the development risk that will otherwise be borne entirely by Xcel ratepayers. This experience is particularly relevant at the distribution level, where local permitting, community engagement, and feeder-specific constraints can determine whether a project ultimately succeeds or fails. But that value and risk mitigation won't be provided if Xcel insists on owning 100% of the project not only during the project's operational phase, but also during its more-risky development phase.

It is clear, based on both Xcel's C*C reply comments, their recent Integrated Distribution Plan filing, and their statements in many other proceedings that the company views the C*C program as the first step toward numerous improvements like flexible interconnection, non-wires alternatives, and an array of other grid management tools. We agree in C*C's potential to serve as that foundational first step. However, for Phase 2 to serve as a true learning phase, the program must be structured to test assumptions about risk allocation, development models, and system impacts—rather than locking those assumptions in at the outset. But in order for it to serve that purpose, we believe key changes will be needed:

- Even if Xcel needs to own and operate every C*C program asset for its full operational life (e.g., in order to fully capture the revenue and bulk services benefits they propose), it could still make sense to enable non-utility ownership of the project during development to give developers skin in the game during the project siting, interconnection, and permitting stages.
- Without that, Phase 2 risks missing an opportunity to reduce ratepayer exposure, test alternative development pathways, and generate lessons that can inform Phase 3 program design.
- Finally, CEEM encourages the Commission to preserve Phase 3 optionality by clearly signaling that Phase 2 outcomes—including cost, schedule, hosting capacity impacts, and development success rates—will inform whether competitive development or alternative ownership structures are appropriate in future phases.

For these reasons, CEEM urges the Commission to approve Phase 2 of Capacity*Connect while providing clear direction to ensure the program functions as a true pilot rather than a predetermined long-term model. By encouraging thoughtful risk allocation during the development phase, requiring robust and transparent evaluation of system impacts, and preserving optionality for future phases, the Commission can enable Capacity*Connect to deliver near-term system value while laying the groundwork for a more competitive, flexible, and durable distributed capacity framework in Phase 3 and beyond.