

December 10, 2025

Via Electronic Filing

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

Re: In the Matter of Northern States Power Company, dba Xcel Energy, Petition for Approval of Capacity*Connect, a Distributed Capacity Procurement (DCP) program Docket No. E002/M-25-0378

Dear Ms. Bergman,

The Institute for Local Self-Reliance (ILSR) along with Solar United Neighbors (SUN) respectfully submit the following comments on the Xcel Capacity*Connect proposal. Our comments show **the mismatch between the Xcel proposal and what's actually needed to capture distributed resource value**. We also highlight the **financial risk to ratepayers** and the increased **oversight risk for the Commission**.

What's Needed to Capture Distributed Resource Value

As proposed, Capacity*Connect does not align with the core elements necessary **to capture the benefits of distributed batteries**:

- **Xcel needs some level of operational control** over the charging and discharging of batteries. For comparison, existing demand response programs like AC*Rewards can provide system-wide benefit and operational control even when the customer's air conditioner is installed by an independent contractor and is owned by the customer. As with air conditioners, **Xcel does not need to own or install batteries to capture their operational benefits**.
- **Xcel needs battery project siting to match the most fruitful grid locations**. For comparison, the existing Minnesota hosting capacity map already provides a significant level of public information about opportune grid sites for energy generation resources *and* the recent Colorado Xcel virtual power plant order also includes development of a public load hosting capacity map. In their petition, Xcel mentions plans to use data such as load hosting capacity without promising public disclosure. **But Xcel does not need siting or ownership control when it could ensure beneficial battery siting by using screening criteria based on public information such as a load hosting capacity**

map. This would have the added benefit of helping guide generation and storage projects that are not part of this specific program.

- **Xcel needs battery project developers to have site control.** For comparison, all behind the meter solar and all community solar projects have been developed by third parties who have shown themselves capable of verifying or securing site control, including through lease arrangements. **Xcel has no meaningful competitive advantage in securing site hosts**, unless it proposes offering premium lease rates to be paid by captive customers.
- **Xcel recognizes that distributed resources should be coordinated.** For comparison, existing virtual or distributed power plant programs in other states such as Connected Solutions or California's Demand Side Grid Support Program allow aggregated customers to provide grid value in exchange for compensation. **But Minnesota regulators could solve this market failure in Minnesota by allowing non-utility demand response aggregation** (and broadening it to include distribution specific value).

In summary, the Capacity*Connect proposal has a strong bias toward unnecessary utility ownership and control that may harm market development and that likely contribute to its poor cost-benefit outcomes.

Financial Risk

Frustratingly, despite a year in development, Xcel customers must rely on non-utility intervenors to present the modifications necessary to make this proposal even minimally beneficial to those who ultimately pay the bills. In the plain terms of the unredacted proposal, **the proposed deployment of utility-owned battery storage will cost ratepayers more than it will benefit them.** It's difficult to connect the dots between the breathless assertions about the superiority of utility ownership of distributed assets all over the industry news in the past year and this disappointing proposal. Unfortunately, the economic issue runs deeper.

Unless the Commission prohibits Xcel from owning the batteries in this proposal, it cannot resolve the inherent conflict of interest between Xcel shareholders and customers. Shareholders will earn a generous rate of return on the utility's multi-million dollar equity investment but none of that return is contingent on Xcel's performance on the purpose of this proposal — to deliver bulk system and (eventually) distribution system benefits. That this risk exists across most of Xcel's operations does not make it any less important to discuss here.

Could a competitive approach to Capacity*Connect lower costs and increase benefits for consumers? This proposal prevents us from finding out, in contravention of the Commission's own order. Few components of this proposal require the proposed level of utility control and ownership. Adopting third party participation also allows the Commission to

diversify risk, pushing some of the performance risk onto third parties, rather than solely on Xcel ratepayers through ratebased battery assets.

Oversight Risk

Capacity*Connect will increase yet again the scope of Commission and Department oversight, on top of existing (and relatively new in the time scale of utility regulation) responsibilities including distribution planning, electric vehicle charging, hosting capacity, and community solar. Each time Xcel expands into new markets — and in ways that the purpose does not align with their financial incentives — the state oversight burden rises. And with penalties for nonperformance rare, ILSR and SUN are concerned that it will be difficult to protect consumers from excessive costs in a program without aligned incentives or competitive pressure.

ILSR/SUN Recommendations

The Commission can reduce the financial and oversight risks of Capacity*Connect with significant program modifications. They should include:

- Reducing financial conflicts of interest and oversight risk by prohibiting or sharply curtailing utility ownership of assets
- Capturing siting benefits by requiring any data used for siting by Xcel to be available to all parties developing projects connecting to the grid managed by Xcel (e.g. load hosting capacity, feeders with coincident peaks to the bulk system), and by requiring Xcel Energy to offer a solicitation for site acquisition services
- Providing fair access by requiring Xcel to follow any interconnection procedures that would be required of a third party installing comparable projects

Thank you for the opportunity to comment on this proceeding.

Sincerely,

/s/

John Farrell, Institute for Local Self-Reliance
Minneapolis, MN
jfarrell@ilsr.org | 612-808-0888

/s/

Bobby King
Minnesota State Director
Solar United Neighbors (SUN)
Minneapolis, MN
bking@solarunitedneighbors.org | 507-450-7258