STATE OF MINNESOTA
BEFORE THE PUBLIC UTILITIES COMMISSION

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John Tuma	Commissioner

In the Matter of Establishing Tariffs for Distribution System Cost Sharing for Interconnection in Constrained Areas	DOCKET NO. E002, E015, E017/CI-24-288

REPLY COMMENTS OF THE OFFICE OF THE ATTORNEY GENERAL—RESIDENTIAL UTILITIES DIVISION

INTRODUCTION

The Office of the Attorney General—Residential Utilities Division (OAG) respectfully submits the following Reply Comments in response to initial comments filed by Xcel Energy, the Joint Solar Coalition (JSC) and Cooperative Energy Futures (CEF), and Otter Tail Power Company (Otter Tail Power).

The OAG's positions on framework items remain the same except that the OAG recommends a Payback Period equal to 10 years, proposes an edit to a provision that would extend the Payback Period if the Commission adopts one that is shorter than 10 years, and recommends a new OAG F.6. For clarity, Attachment 1 to these Reply Comments provides the OAG's position matrix on all of the proposed standards.

ANALYSIS

I. THE COMMISSION SHOULD BE WARY OF CHANGES TO DEFINITIONS AT THIS STAGE.

The OAG replies to changes to definitions proposed by Xcel and by JSC and CEF. Xcel proposes a change to the definition of "Upgrade" (Item B.16) that may be inconsistent with the law and would inappropriately tuck a policy determination into the definitions section. The OAG therefore opposes Xcel's proposed change. JSC and CEF propose a change to the definition of

"Distributed Generation Project." The OAG cautions that the impact of their proposed change must be fully assessed before being adopted.

A. Xcel's Proposal

Xcel proposes an addition to Item B.16, the definition of "Reactive Cost Share Distribution Upgrade" as follows:

> Reactive Cost Share Distribution Upgrade (Upgrade): A distribution Upgrade made under the DSRUP. This type of Upgrade must be a modification of a Utility's distribution system at a specific location that is necessary to allow the interconnection of Distributed Generation Projects by increasing Hosting Capacity at the applicable location, including but not limited to installing or modifying equipment at a substation or along a distribution line. Upgrade does not mean an expansion of hosting capacity dedicated solely to the interconnection of a single Distributed Generation Project. Upgrade does not mean construction of a new substation for the sole purpose of allowing the interconnection of Distributed Generation Projects.[1]

Xcel explains that the goal of its proposed addition is to exclude new substations from the DSRUP, but that upgrades to existing substations would not be excluded.

The OAG opposes Xcel's proposed addition for two reasons. First, it is not clear that Xcel's proposal would comport with the authorizing legislation. Item B.16 was almost entirely copied from the authorizing legislation, which defines "upgrade" as

> a modification of a utility's distribution system at a specific location that is necessary to allow the interconnection of distributed generation projects by increasing hosting capacity at the applicable location, including but not limited to installing or modifying equipment at a substation or along a distribution line. Upgrade does not mean an expansion of hosting capacity dedicated solely to the interconnection of a single distributed generation project.[2]

The law makes no reference to the exclusion of substations from the DSRUP standards, and there is no indication anywhere the defined term "upgrade" is used[3] that the legislature intended to

[1] Xcel Energy Initial Comments at 8.
[2] 2024 Minn. Laws, ch. 126, art. 6, sec. 53, paragraph (b), clause (4).
[3] *Id.*, paragraph (a), clause (1), (3)-(5), (7)-(8).

exclude construction of new substations. Regardless of the merits of Xcel's proposal as a policy, it appears that the proposal would run contrary to the law.

Second, as the OAG explained in initial comments, the definition section is an inappropriate place to make policy proposals.[4] A limitation on the type of upgrades that may be included in the DSRUP standards is a policy choice because it is a substantive exclusion of an entire category of utility facilities. While definitions sometimes include policy choices within them,[5] it is not a best practice because it reduces clarity and can appear like an attempt to make a policy change without drawing attention to the change. It can also increase the risk of incoherent outcomes, which in turn increases the risk that a party chooses to bring a legal challenge to the overall policy. For clarity and reduced litigation risk, definitions should be used only to ensure that terms are consistent throughout a law or policy. If the Commission wishes to adopt Xcel's policy proposal, the OAG recommends placing it elsewhere in the DSRUP standards as an explicit exclusion.

B. JSC and CEF's Proposal

JSC and CEF propose a change to definition B.2:

> Distributed Generation Project (Project): An energy generating system connected to the distribution system with a capacity no greater than ten megawatts.

JSC and CEF do not provide an explanation for this addition.

For the reasons explained in the OAG's initial comments, changes to the definition section should be scrutinized very carefully. While this proposal from JSC and CEF appears not to be a policy or substantive change, the OAG recommends that the Commission review every instance

[4] *See* OAG Initial Comments at 8.

[5] Indeed, the original legislation, and therefore Item B.16, excluded "an expansion of hosting capacity dedicated solely to the interconnection of a single distributed generation project." The OAG was not one of the drafters of the legislation and did not have an opportunity to guide the drafters on best practices.

of the term "Project" in the full DSRUP standards (Attachment A to the Notice of Comment Period) to ensure that the meaning of provisions including this term would not changed by this proposed addition.

II. THE COMMISSION SHOULD ADOPT ITEM D.4 AND THE ADDITIONAL TRANSPARENCY MEASURES PROPOSED BY JSC AND CEF.

Xcel opposes any form of cost containment mechanism as envisioned by Items D.3 and D.4. Item D.3 would prevent Xcel from charging developers more than 125 percent of the estimated cost of an upgrade, whereas Item D.4 would prevent Xcel from charging ratepayers more than 125 percent of the estimated cost of an upgrade. Xcel makes three arguments: 1) a cost containment mechanism would be inconsistent with the authorizing legislation; 2) a cost containment mechanism would incentivize it to inflate its initial estimates; and 3) a cost containment mechanism would be contrary to cost-causation principles. Xcel is wrong on all three counts. In addition to these Items, JSC and CEF proposed in their initial comments three additional transparency measures that the OAG supports.

A. A Ratepayer Cost Containment Mechanism is Consistent with Law.

A cost containment mechanism for ratepayers (Item D.4) is wholly consistent with both the authorizing legislation and other ratemaking statutes. Xcel attempts to argue that the "statute requires the DG facility's share of cost be based on its pro rata share of the utility's total cost of the upgrade. The statute does not put a cap on this."[6] Xcel is referring to the following provision:

> (4) establish a distributed generation facility's pro rata cost-share amount as the utility's total cost of the upgrade divided by the incremental capacity resulting from the upgrade, and multiplying the result by the capacity of the distributed generation facility seeking interconnection.

[6] Xcel Energy Initial Comments at 10.

This language strictly refers to the developers cost-share amount and has no bearing on whether the utility can charge cost overruns to ratepayers per Item D.4 in the standards. Cost containment mechanisms are standard tools[7] that regulators use to create cost discipline that otherwise does not exist given a utility's monopoly status and capital bias. Nothing in the law prevents the Commission from adopting Item D.4. On the contrary, because of the new risks to ratepayers presented by this program, the Commission should adopt the reasonable cost containment mechanism provided for in Item D.4.

B. Utilities Have a Responsibility to Produce Accurate Estimates, and JSC and CEF Propose Reasonable Mechanisms to Ensure Utilities Do So.

Xcel argues that adopting the cost containment mechanisms in Items D.3 and D.4 would "disincentivize the Company from providing indicative estimates as accurately as possible."[8] Xcel appears to be saying that it would have an incentive to inflate its initial cost estimates in order to ensure it recovers its costs and return no matter how much it goes over budget. The Commission should make clear to Xcel that public utilities *always* have a legal and ethical responsibility to "provide indicative estimates as accurately as possible," and Items D.3 and D.4 would not alter that responsibility. Simply because a company has an incentive to break the rules does not mean that it should, nor does it mean that the rules should not be established at all; on the contrary, rules exist to counteract anti-social incentives and behaviors. It is concerning that Xcel appears to be threatening to provide both developers and the Commission with inaccurate cost information if the Commission attempts to set rules that could contain costs to ratepayers.

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[7] *E.g.,* Robert Walton, *Texas Regulators Approve 2 Entergy Gas Plants with $2.4B 'Hard Cap',* Utility Dive (Sep. 11, 2025), https://www.utilitydive.com/news/texas-regulators-approve-2-entergy-gas-plants-with-24b-hard-cap/759981/; *see also* Docket No. E-002/M-20-711, Order Approving Request for Budget Increase at 5 (Nov. 7, 2023).

[8] Xcel Energy Initial Comments at 10.

In addition, JSC and CEF have proposed appropriate methods for counteracting Xcel's admitted incentive to provide inaccurate information. They recommend that the Commission order three measures that would greatly enhance transparency. First, they recommend requiring utilities to provide itemized, equipment-level cost breakdowns in their upgrade cost estimates. Second, they recommend requiring utilities to publish and update matrices with itemized actual costs for common distribution upgrades. Third, they recommend requiring utilities to provide detailed and itemized final upgrade costs, including explanations for cost variances exceeding 125% of the initial estimate.[9]

These proposals are reasonable and appropriately scoped to the issue of cost containment for the DSRUP program. They could also ultimately have secondary benefits in future programs and proceedings, including in rate cases. This is because the proposals would improve price transparency and decrease information asymmetry between utilities and all other stakeholders. The net result could be more accurate estimates and lower final prices. This information could then be used in other cost recovery proceedings to ensure accuracy and reduce waste in distribution system costs, which are among the top drivers of electricity rates nationally.[10]

The OAG therefore highly recommends adoption of the JSC and CEF recommendations to:

- Increase Detail in Impact Study Cost Estimates;
- Establish Annual Cost Matrix Filings; and
- Require Itemization on Reconciliation Statements.[11]

[9] JSC-CEF Initial Comments at 15.
[10] Ryan Wiser et al., *Factors Influencing Recent Trends in Retail Electricity Prices in the United States*, 38 (4) The Electricity Journal 6 (2025), https://www.sciencedirect.com/science/article/pii/S1040619025000612?via%3Dihub.
[11] JSC-CEF initial Comments at 15.

C. Cost Causation Principles Include Cost Containment Mechanisms.

Xcel argues that containing upgrade costs to no more than 125 percent of its initial estimate would violate cost-causation principles, but this is incorrect. The Reactive Cost Share Participants choose to pursue their upgrades based on the cost estimates provided to them by the utility. Once construction begins, the utility is the entity with the most control over costs. If there is no cost containment mechanism, the utility knows it will be fully reimbursed for costs, including cost overruns. The more that costs increase, the more likely it is that the utility failed to mitigate cost increases. In other words, for costs beyond a certain threshold, the *utility* is very likely the cost causer. The OAG therefore proposes setting that threshold at a generous 125 percent of the utility's initial estimate. Any cost increase beyond that would be unreasonable to make ratepayers shoulder.

Items D.3 and D.4 do not violate cost causation principles, and the Commission should include them in the framework.

III. JSC'S PROPOSED 25 PERCENT MOBILIZATION THRESHOLD WOULD NOT SUFFICIENTLY PROTECT RATEPAYERS AND COULD CAUSE DELAYS.

JSC supports a 25 percent Mobilization Threshold.[12] It argues that a lower threshold will speed the development of distribution upgrades, which is necessary because of interconnection delays and congested feeders.[13] However, it also argues that in the initial rollout of the DSRUP, "nearly all Upgrades will be fully subscribed" due to the interconnection queue backlog and "ever increasing demand for clean energy."[14]

[12] *Id.* at 7.
[13] *Id.* at 6-7.
[14] *Id.* at 6. It should be noted that upgrades are unlikely to ever be "fully subscribed," as utilities will size the upgrade to be larger than expected developer demand so that the upgrade does not immediately become congested after DSRUP Participants interconnect. Thus, some portion of the upgrade's cost will likely always be shunted onto ratepayers.

A low 25 percent Mobilization Threshold is unnecessary for the success of the program, insufficiently protective of ratepayers, and could potentially *create* delays. If demand for interconnection is so high that nearly all upgrades will be fully subscribed, the Mobilization Threshold could be theoretically be set even higher than recommended by the OAG without impeding growth. At the same time, if the Mobilization Threshold is very low, DSRUP applications could end up dispersed across a utility's system, both potentially reducing the number of upgrades that become fully subscribed and potentially slowing the entire process by increasing the number of applications the utility has to process and studies the utility has to perform.

Once the program has matured and the initial pent-up demand has dissipated, a low Mobilization Threshold will simply mean that ratepayers will be more exposed to the risk of paying for upgrades with insufficient demand. This is particularly concerning if the Payback Period is too short to recoup costs from DSRUP Participants. Accordingly, the OAG opposes a Mobilization Threshold of 25 percent, but if the Commission decides to set the Mobilization Threshold that low, the Commission must attempt to protect ratepayers by setting the Payback Period at 10 years per Item I.1.b. A longer payback period is necessary if there is increased ratepayer exposure to absorbing Outstanding Costs due to a lower Mobilization Threshold. If the Commission adopts both a low, 25 percent Mobilization Threshold and a short, 5-year Payback Period, the Commission should at the very least adopt Item OAG I.1.a.i, discussed further below, which would extend the Payback Period by another three years if at least 90 percent of an upgrade's cost is not subscribed after five years.

IV. THE OAG PROPOSES AN ALTERNATIVE TO ITEM F.6.

JSC and CEF express support for Item F.6, which would allow a utility to pursue a DSRUP upgrade through its Proactive Upgrade Proposal under the framework established in Docket No. E-002/CI-24-318. JSC and CEF argue that the failure of an upgrade to reach its mobilization

threshold in the DSRUP could be explained by "cost barriers for interconnecting customers" and that the "cost signals from the Reactive Cost Share Program" would "inform the Utility's Proactive Upgrade Proposal."[15]

As the OAG argued in initial comments, the failure of an upgrade to meet its mobilization threshold means that there is insufficient developer demand for that upgrade. Demand is a function of cost, so the lack of demand could be that the upgrade would be too expensive for developers to pursue even through the DSRUP, or it could be that there are insufficient developers who want to interconnect at that location. Regardless of the reason for the lack of demand, the cost signals for an upgrade that hasn't met its mobilization threshold are that the market can't support the upgrade. In a situation like this, where the market has demonstrated a lack of demand, pursuing the upgrade anyway through the Proactive Upgrade Process effectively neutralizes the mobilization threshold and the market-driven nature of the DSRUP.

That said, there is a need for a modified Item F.6. With or without Item F.6 as currently drafted, utilities can argue that they can simply place a DSRUP upgrade into their Proactive Upgrade Proposals whenever they wish. If a DSRUP upgrade is moved into a Proactive Upgrade Proposal, the utility should be required to highlight the fact that the upgrade failed to reach its Mobilization Threshold in the utility's Proactive Upgrade Proposal. Accordingly, the OAG proposes the following redlined OAG F.6:

> OAG F.6: ~~If~~ Once a Mobilization Window has remained open for ~~more than~~ two years, the Utility may consider that Upgrade as a potential Proactive Upgrade in its next Proactive Upgrade Proposal under the framework established in Docket E002/CI-24-318. The Utility shall describe in its Proactive Upgrade Proposal how close to the Mobilization Threshold the Upgrade came and explain why it believes there will be greater demand for the Upgrade in the future.

[15] *Id.* at 7.

V. ITEM OAG G.5 ADDRESSES XCEL'S CONCERN AND IS NECESSARY FOR THE INFORMATION DISCLOSURE THAT JSC AND CEF RECOMMENDED FOR THE ORIGINAL ITEM G.5.

The OAG proposed the following OAG G.5 in initial comments to make Item G.5 consistent with the utilities' statutory burden of proof and improve clarity regarding the utilities' duty of prudence:

> OAG G.5: ~~Approval~~ Selection through the prioritization process chosen in Section G shall create a rebuttable presumption ~~of prudence~~ that pursuing construction of an approved Upgrade was prudent in any cost recovery proceeding. The utility retains the burden of proof.[16]

Xcel, and JSC and CEF both expressed support for the non-consensus Item G.5 that was added to the DSRUP framework shortly before the notice of comment period was issued. Xcel argued that the original Item G.5 is necessary because the DSRUP standards will "dictate" which upgrades are built,[17] meaning that the Commission will not be approving individual projects.[18] JSC and CEF supported Item G.5 but also argued that "the utility must be required to provide a detailed public accounting of the cost to be recovered for each upgrade under the program."[19]

OAG G.5 is consistent with Xcel's concern about recovery of upgrade costs. OAG G.5 addresses this concern by giving Xcel the assurance that projects selected through the DSRUP standards will be deemed prudent. OAG G.5 is superior to the original Item G.5 supported by Xcel because it also ensures that there is no confusion about Xcel's ongoing responsibility to meet the statutory burden of proof and to act prudently in carrying out the upgrade.

The redlines in OAG G.5 are also necessary to accomplish what JSC and CEF state is required for G.5 "to work well in practice."[20] They echoed the OAG's position that utilities must

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[16] OAG Initial Comments at 16.
[17] Xcel Energy Initial Comments at 6.
[18] *Id.* at 14.
[19] JSC-CEF Initial Comments at 8.
[20] *Id*.

give stakeholders all relevant information to analyze upgrade costs.[21] However, the original Item G.5 *does not* require the utilities to provide any of this information that JSC and CEF agree is necessary for the program to work well. On the contrary, the original language of Item G.5 could result in utilities arguing that they can refrain from providing this crucial information. The redlines in OAG G.5 are necessary to ensure there is no confusion about the utilities' ongoing statutory burden of proof and responsibility to provide the Commission and stakeholders with accurate cost information.

VI. THE PAYBACK PERIOD SHOULD LAST FOR 10 YEARS FROM THE UPGRADE'S IN-SERVICE DATE AND ONLY END UPON EXPIRATION.

In initial comments, the OAG recommended that the Payback Period last for at least 10 years[22] and Xcel recommended it last for up to 10 years.[23] The rationales offered by each party were similar, namely, that the Payback Period should be long enough to increase the likelihood that developers pay the costs of the upgrade.[24] Xcel also argued that the Payback Period should not be so long that DSRUP participants are paying pro rata fees even after the system has changed, and the OAG acknowledged this possibility.[25] However, the OAG pointed out that Xcel's preferred option, by using the phrase "up to," left open the possibility that the Payback Period is even shorter than the five years proposed in Item I.1.a.[26]

For clarity and simplicity, the OAG proposes that the Commission set the Payback Period to be 10 years from the in-service date of the Upgrade:

> OAG I.1.b: The Payback Period shall remain open once the Mobilization Threshold is reached and remain open for ~~a minimum of~~ ten years from the Upgrade's in-service date.

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[21] *Id.*
[22] OAG Initial Comments at 19.
[23] Xcel Energy Initial Comments at 16.
[24] *Id.*; OAG Initial Comments at 19-20.
[25] Xcel Energy Initial Comments, Attach. A at 9; *see* OAG Initial Comments at 20.
[26] OAG Initial Comments at 20.

The OAG continues to believe that the Payback Period should only end after the 10 years have elapsed so that utilities are not unjustly enriched by overlapping ratepayer funds and developer funds.[27]

If the Commission instead chooses a Payback Period of at least 5 years as recommended by Otter Tail Power,[28] and JSC and CEF,[29] the OAG recommends it also adopt a modified Item I.1.a.i., which would extend the Payback Period if a sufficient amount of the upgrade cost has not been covered by developers. Rather than the 75 percent level prescribed by the current Item I.1.a.i, however, the OAG recommends that the Payback Period be extended if 90 percent of the costs have not been recovered:

> OAG I.1.a.i: If at least ~~75%~~ 90% of the costs of the Reactive Distribution Upgrade have not been recovered after five years, the Payback Period is automatically extended by an additional three years.

Such an extension of the Payback Period becomes all the more necessary if the Commission adopts Item J.4.a, which would remove upgrades from the Annual Ratepayer Cost Cap (ARCC) upon expiration of the Payback Period. If all upgrades are removed from the ARCC after five years, there is a risk of severely undermining the ARCC's effectiveness, as upgrades could end up being removed from it too quickly to meaningfully protect ratepayers.

To be clear, the OAG supports a 10-year Payback Period, and only recommends OAG Item I.1.a.i if the Commission adopts a shorter Payback Period or the Commission adopts Item J.4.a.

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[27] *See* OAG Initial Comments at 17-18, 21-22.
[28] Otter Tail Power Initial Comments at 4.
[29] JSC-CEF Initial Comments at 10.

VII. THE ANNUAL RATEPAYER COST CAP CONSTITUTES A FORMULA FOR DETERMINING THE ANNUAL AMOUNT THAT RATEPAYERS MAY BE CHARGED.

JSC and CEF observe that the ARCC "is not an 'annual' cost cap, as traditionally thought of."[30] However, the ARCC still complies with the cost cap requirement in the statute. To clarify, the OAG undertakes to explain further the legal basis for the ARCC.

The authorizing legislation provides:

> [the DSRUP] tariff standards must reflect an interconnection process designed to…establish an annual limit or a formula for determining an annual limit for the total cost of upgrades that are not allocated to owners of participating generation facilities and may be recovered from ratepayers under section 216B.16, subdivision 7b, paragraph (b), clause (6).[31]

The ARCC and Mobilization Threshold together function as the "formula for determining an annual limit for the total cost of upgrades that…may be recovered from ratepayers under section 216B.16, subdivision 7b, paragraph (b), clause (6)" (Subdivision 7b(b)(6)). To illustrate, assume that the Mobilization Threshold is set at 80 percent and the ARCC is set at $5 million and is met in the first year of the DSRUP, meaning the total Outstanding Costs of all upgrades that mobilized in the first year add up to $5 million.[32] The utility would then be able to recover the full $5 million through Subdivision 7b(b)(6).[33]

Then assume that the following year, developers interconnecting to those initial upgrades pay $1 million in Cost Share Contributions, reducing the total Outstanding Costs to $4 million. Now that the total Outstanding Costs is lower than the ARCC, new DSRUP upgrades can go forward. Assume 10 new upgrades that each cost $500,000 all exactly meet their Mobilization

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[30] *Id.*

[31] 2025 Minn. Laws, 1st spec. sess., ch. 7, art. 3, sec. 16.

[32] This is to make the math easier to understand, but the explanation works regardless of the level the ARCC is set at and whether or not the ARCC is ever met.

[33] The Commission may, but is not required to, authorize recovery of DSRUP costs under Subdivision 7b(b)(6), but because the OAG supports this as a recovery option, this illustration assumes such recovery is authorized.

Thresholds the same year. All 10 new upgrades can be built because their total Outstanding Costs equals $1 million, bringing the overall DSRUP Outstanding Costs back to the $5 million ARCC. The utility can then recover the $1 million of new Outstanding Costs resulting from those new upgrades through Subdivision 7b(b)(6).

Workgroup participants determined that this was the best way of ensuring that new DSRUP upgrades could be automatically pursued as older DSRUP upgrades were paid down. This furthermore allows the DSRUP to operate without the Commission having to re-examine the program and/or set a new limit on the program every year, while still ensuring that overall program costs stay in check.

VIII. COST RECOVERY ISSUES

The OAG responds to three distinct issues regarding cost recovery. First, the OAG responds to Xcel's[34] and Otter Tail Power's[35] recommendation that Cost Share Contributions reduce a utility's revenue requirement and explains why Cost Share Contributions should instead reduce the DSRUP upgrade's rate base. Second, the OAG demonstrates that, contrary to Xcel's argument, a delayed period of rate recovery per Item K.1 is consistent with the law. Finally, the OAG recommends that the Commission reject cost recovery through invoices per Item K.5.d, as it appears no party supports this method.

A. Cost Share Contributions Should Be Applied to Rate Base Rather Than to the Revenue Requirement.

Xcel states that it "prefers" that Cost Share Contributions be applied to the revenue requirement, claiming that applying them to offset upgrade rate base would "require…new

[34] Xcel Initial Comments, Att. 3 at 11.
[35] Otter Tail Power Initial Comments at 5.

accounting procedures and…create administrative burden."[36] Otter Tail Power also prefers this option but does not elaborate on why.[37]

It is not clear what Xcel new accounting procedures would be needed and what administrative burden Xcel refers to. As the OAG described in initial comments, Xcel already has accounting procedures for handling Contributions in Aid of Construction (CIAC). Under these procedures, Xcel tracks specific capital projects and then applies CIAC fees to the rate base of those projects. DSRUP upgrades and Cost Share Contributions are akin to CIAC projects and fees – they are definite upgrades with definite interconnecting customers, and fees must be directly matched. Due to the similarity between the concepts, the extent to which utilities must "establish new accounting procedures" would be limited.

More importantly, "administrative burden" is a poor justification for allowing utilities to overcharge ratepayers. To illustrate, imagine a DSRUP upgrade that is placed into rate base and then developers fully subscribe the remaining capacity. This means that the utility has recovered the full cost of the upgrade from developers. If the developers' Cost Share Contributions are only applied to the revenue requirement, the utility will continue to charge ratepayers the rate of return on that upgrade *even after the upgrade has been paid off*, for the rest of the life of the asset.

Thus, to the extent that applying Cost Share Contributions to the rate base might create any administrative burden, that burden is easily outweighed by the unjust and unreasonable outcomes that follow from applying fees to the revenue requirement rather than using them to reduce rate base.

[36] Xcel Initial Comments, Att. 3 at 11.
[37] Otter Tail Power Initial Comments at 5.

B. Delayed Cost Recovery Is Consistent with Minnesota Law.

If the Commission wishes to order delayed cost recovery per Item K.1, it has legal authority to do so. Xcel argues that delayed cost recovery is inconsistent with the authorizing legislation. Xcel argues that it must be able to recover Outstanding Costs "without delay or deferral" because Minnesota Statutes section 216B.16, subdivision 7b, paragraph (b), clause (6) (Subdivision 7b(b)(6)) allows the Commission to "approve, reject, or modify, after notice and comment, a tariff that…allows the utility to recover on a timely basis" costs of DSRUP upgrades.[38] Xcel is incorrect.

Ordering delayed recovery falls within the Commission's authority. The Commission has broad regulatory authority to ensure that rates are just and reasonable.[39] Neither the authorizing legislation nor Subdivision 7b(b)(6) override this authority in this instance. First, the authorizing legislation and Subdivision 7b(b)(6) are permissive, not mandatory. The authorizing legislation states that the Commission-approved standards should "establish an annual limit or formula for determining an annual limit for the total cost of upgrades that…*may* be recovered from ratepayers under [Subdivision 7b(b)(6)]."[40] Subdivision 7b(b)(6), in turn, states that the Commission "may approve, *reject, or modify*" a tariff that allows recovery of DSRUP upgrade costs.[41] Neither provision compels the Commission to authorize Subdivision 7b(b)(6) recovery; they only authorize it.

Second, the provision that the Subdivision 7b(b)(6) tariff "allows the utility to recover on a timely basis the costs of [DSRUP] upgrades" does not mean that the tariff must allow immediate recovery. "On a timely basis" is not further defined. If the legislature had intended to require immediate recovery or even yearly recovery, it would have said either "recover immediately" or

[38] *Id.*, Attach. 3 at 10.
[39] Minn. Stat. § 216B.03, .08.
[40] 2025 Minn. Laws, 1st spec. sess., ch. 7, art. 3, sec. 16.
[41] 2025 Minn. Laws, 1st spec. sess., ch. 7, art. 3, sec. 3.

"recover annually." Instead, the legislature gave the Commission discretion to determine what a "timely basis" is.

Finally, the "annual limit" or formula for an annual limit referred to in the authorizing legislation is a *limit on what ratepayers can be charged in a year*, not authorization for the utility to recover its full costs each year. The Commission could in theory design a DSRUP where the total Outstanding Costs of the program are far greater than the costs that the utility is actually allowed to recover each year. That is not the program that any stakeholders recommend, but it illustrates how the authorizing legislation provides more discretion to the Commission in designing the DSRUP, and designing cost recovery in particular, than Xcel argues it does.

As explained in initial comments, the OAG's highest priority in this area is that Cost Share Contributions are applied to DSRUP upgrade rate base rather than the revenue requirement. The OAG also described the ratepayer benefits of a period of delayed recovery. If the Commission wishes to order such a period, doing so would be consistent with law.

C. The Commission Should Reject Rate Recovery Through Invoices (Item K.5.d).

In initial comments, the OAG recommended that the Commission adopt only rate recovery through a general rate case and through invoices.[42] The OAG did not take a position on recovery through invoices per Item K.5.d because the meaning was unclear but planned to discuss it in reply if another party explained it in initial comments. No other party has explained the meaning of Item K.5.d or expressed clear support for it.[43] The OAG therefore recommends the Commission reject Item K.5.d. in addition to rejecting Item K.5.c.

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[42] OAG Initial Comments at 28-29.

[43] Minnesota Power stated only that it "supports what is identified in Section K" without further elaboration. Minnesota Power Initial Comments at 2. This includes Item K.5.d, but because Section K includes mutually exclusive items, Minnesota Power's position appears to be a lack of position on any specific item in Section K rather than affirmatively advocating for all items in Section K.

IX. XCEL'S REQUEST TO DELAY CONSIDERATION OF ITS DSRUP TARIFF UNTIL LATE 2026 DEFEATS THE PURPOSE OF THE CURRENT COMMENT PERIOD.

Once the Commission approves the DSRUP standards, utilities should move quickly to implement them and file their utility-specific DSRUP tariffs. The DSRUP workgroup moved quickly in the months immediately preceding the Notice of Comment Period to prepare the standards for Commission consideration because of expiring federal support for renewable energy. The common understanding and hope was that DSRUP tariffs would be in place for some DER projects to still benefit from expiring federal benefits, at the same time that all workgroup participants also agreed that the process should not move so fast that the final standards were incomplete or poorly designed.

Xcel requested in initial comments that the Commission not hold a hearing on its DSRUP tariff until the third quarter of 2026, likely putting the program in place too late for developers to take advantage of expiring tax credits. While the OAG believes that the highest priority should be to implement the DSRUP standards correctly, even if that does mean missing out on federal funding, the OAG also encourages the Commission to determine whether Xcel truly could not responsibly implement the standards fast enough to take advantage of federal funding. If Xcel's request for the third quarter of 2026 is not necessary for proper implementation, the Commission should consider requiring Xcel to move faster.

CONCLUSION

The OAG continues to appreciate the input and work of all stakeholders participating in the workgroup process. A matrix showing the OAG's position on all possible DSRUP options is attached as Attachment 1.

Dated: November 19, 2025

Respectfully submitted,

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ATTORNEYS FOR MINNESOTA
OFFICE OF THE ATTORNEY GENERAL—
RESIDENTIAL UTILITIES DIVISION

OAG Reply Comments Attachment 1 - Position Matrix

Requirement No.	Requirement	OAG Position	Notes
B. Definitions			
B.1	Annual Ratepayer Cost Cap: The total rolling annual cost of Upgrades that are not paid for by Reactive Cost Share Participants and that may be recovered from ratepayers under Commission-approved cost recovery methods	Support	
B.2	Distributed Generation Project (Project): An energy generating system with a capacity no greater than ten megawatts.	Support	
JSC-CEF B.2	Distributed Generation Project (Project): An energy generating system connected to the distribution system with a capacity no greater than ten megawatts.	No Position	
B.3	Distribution System Reactive Upgrade Process (DSRUP or Process): The process and operation of the "generic standards" envisioned by Section 53 of the 2024 Minnesota Session Laws, Regular Session, Chapter 126, Article 6 and approved by the Minnesota Public Utilities Commission.	Support	
B.4	Distribution System Reactive Upgrade Process Cost Share Agreement (DSRUP Agreement): The agreement between an Interconnection Customer and the Utility providing the Interconnection Customer's intention to participate in an Upgrade and to provide a Reactive Cost Share Contribution for an Upgrade with an open Mobilization Window.	Support	
B.5	Hosting Capacity: The maximum capacity of a utility distribution system to transport electricity at a specific location without compromising the safety or reliability of the distribution system.	Support	
B.6	Interconnection Application: An application that has been submitted to a utility for interconnection under MNDIP.	Support	
B.7	Interconnection Customer: A Distributed Generation Project owner that has submitted an Interconnection Application.	Support	
B.8	Minnesota Distributed Energy Resource Interconnection Agreement (MN DIA): The Agreement intended to provide for the Interconnection Customer to interconnect at the Point of Common Coupling and operate a Distributed Energy Resource with a Nameplate Rating of 10 Megawatts (MW) or less in parallel with the Area EPS at the location identified above and in the Interconnection Application. MN DIP Section 1.1.5 details when the Uniform Statewide Contract may replace the need for the MN DIA.	Support	
B.9	Minnesota Distributed Energy Resource Interconnection Process (MN DIP): The generic, statewide standards for the interconnection and parallel operation of distributed energy resources of no more than 10 MW. All regulated Area Electrical Power System (EPS) Operators are subject to the MN DIP.	Support	
B.10	Mobilization Threshold: The percentage of the estimated total Upgrade cost that must be committed in order for construction of the Upgrade to move forward.	Support	
B.11	Mobilization Window: When the Trigger Project by itself does not meet the Mobilization Threshold, the time period during which additional projects can commit to pay for Upgrade costs and those commitments will count towards the Upgrade's Mobilization Threshold.	Support	
B.12	Outstanding Costs: Any Reactive Cost Share Distribution Upgrade costs that are unrecovered from Reactive Cost Share Participants at any given time, after a Mobilization Threshold has been met and before the Payback Period has been closed.	Support	
B.13	Payback Period: The period of time, after the Mobilization Threshold has been met, allotted for the full value of the Upgrade to be paid for by Reactive Cost Share Participants.	Support	
B.14	Pro Rata Cost: The $/kWac rate calculated by dividing the total costs of the eligible Upgrade by the total kilowatts of Hosting Capacity created by the Upgrade.	Support	
B.15	Reactive Cost Share Contribution: The contribution made by an Interconnection Customer toward an Upgrade. The amount is determined by multiplying the Pro Rata Cost by the kWac capacity of the facility seeking interconnection.	Support	
B.16	Reactive Cost Share Distribution Upgrade (Upgrade): A distribution Upgrade made under the DSRUP. This type of Upgrade must be a modification of a Utility's distribution system at a specific location that is necessary to allow the interconnection of Distributed Generation Projects by increasing Hosting Capacity at the applicable location, including but not limited to installing or modifying equipment at a substation or along a distribution line. Upgrade does not mean an expansion of hosting capacity dedicated solely to the interconnection of a single Distributed Generation Project.	Support	
Xcel B.16	Reactive Cost Share Distribution Upgrade (Upgrade): A distribution Upgrade made under the DSRUP. This type of Upgrade must be a modification of a Utility's distribution system at a specific location that is necessary to allow the interconnection of Distributed Generation Projects by increasing Hosting Capacity at the applicable location, including but not limited to installing or modifying equipment at a substation or along a distribution line. Upgrade does not mean an expansion of hosting capacity dedicated solely to the interconnection of a single Distributed Generation Project. Upgrade does not mean construction of a new substation for the sole purpose of allowing the interconnection of Distributed Generation Projects.	Oppose	
B.17	Reactive Cost Share Participant: An Interconnection Customer who elects to participate in a Reactive Cost Share Distribution Upgrade with an open cost-share window and is responsible for paying a cost-share contribution.	Support	
B.18	Reactive Upgrade Workgroup: The workgroup created in Docket 24-288 to create the draft standards of the DSRUP.	Support	
B.19	Trigger Project: The initial Interconnection Application for interconnection for a Distributed Generation Project that alerted a Utility that an Upgrade is needed in order to accommodate the Trigger Project and any future interconnections at the applicable location	Support	
B.20	Utility: A public utility, as defined in Minnesota Statutes, section 216B.02, subdivision 4, that provides electric service	Support	
C. Upgrade Cost Thresholds			
C.1	To qualify for the DSRUP, an Upgrade must have total project costs of:		
	a. at least $250,000	No Position	
	OR		
	b. at least $1	Oppose	

	OR		
	c. at least $2,500,000	No Position	
	OR		
	d. $100,000	No Position	
C.2	To qualify as an eligible Reactive Cost Share Distribution Upgrade, an Upgrade must cost no more than:		
	a. $300,000/MW	Support	The OAG prefers C.2.a over C.2.b
	OR		
	b. $600,000/MW	Support*	The OAG prefers C.2.a over C.2.b
	OR		
	c. No Maximum	Oppose	
D. Pro Rata Cost Calculation			
D.1	When a Trigger Project elects to initiate the DSRUP and become a Reactive Cost Share Participant, the Utility shall calculate the estimated Pro Rata Cost defined as the total estimated costs of the eligible Upgrade divided by the total kilowatts of Hosting Capacity created by the Upgrade.	Support	
D.2	The estimated Pro Rata Cost shall be considered an estimate in the calculation of a particular Reactive Cost Share Customer's Reactive Cost Share Contribution until a final Pro Rata Cost is determined after the final bill of actual costs for the Upgrade is issued consistent with MN DIP 5.6.4.1. The Utility shall either refund any excess fees paid or assess each Reactive Cost Share Participant the remaining amount, based on the final Pro Rata Cost of the Upgrade. Refunded amounts shall be issued by the Utility within 30 Business Days after the issuance of the final bill of actual costs. Additional assessments shall be paid by Reactive Cost Share Participants within 30 Business Days after the issuance of the final bill of actual costs. Interconnection Customers that elect to become a Reactive Cost Share Participant following construction of the Upgrade will be assessed a Reactive Cost Share Contribution based on the final Pro Rata Costs.	Support	
D.3	Final Reactive Cost Share Contributions shall not exceed 125% of the estimated Reactive Cost Share Contribution assigned to a Reactive Cost Share Customer in an executed interconnection agreement.	Support	
D.4	Final total costs of an Upgrade in excess of 125% of the estimated total Upgrade cost shall be borne by Utility shareholders rather than recovered through rates.	Support	
E. Interconnection Process			
E.1	The DSRUP can only be initiated when a Distributed Energy Project completes a Facilities Study, and the results of the study indicate an eligible Upgrade is required. The Interconnection Customer will be given 20 Business Days after a signature-ready MN DIA and signature-ready DSRUP Agreement are provided to the Interconnection Customer to choose one of the following options: a. Participate in the DSRUP and act as a Trigger Project by signing and funding the DSRUP Agreement; or b. Pay the full cost of the Upgrade as described in Section F2 by signing and funding the DSRUP Agreement; or c. Withdraw its application	No Position	
JSC-CEF E.1	The DSRUP can only be initiated when a Distributed Energy Project completes a Facilities Study, and the results of the study indicate an eligible Upgrade is required. The Interconnection Customer will be given 20 Business Days after a signature-ready MN DIA and signature-ready DSRUP Agreement are provided to the Interconnection Customer to choose one of the following options: a. Participate in the DSRUP and act as a Trigger Project by signing and funding the DSRUP Agreement; or b. pay more than their project's Reactive Cost Share Contribution in order to reach the Mobilization Threshold; c. Pay the full cost of the Upgrade as described in Section F2 by signing and funding the DSRUP Agreement; or d. Withdraw its application	No Position	
E.2	An Interconnection Application that triggers an Upgrade shall have the option to pay for the full Upgrade, foregoing the cost sharing process and thus paying in full for the additional capacity beyond their project's need. Should the Interconnection Customer choose to fund the full Upgrade cost and forgo the cost sharing process they shall not be entitled to use excess capacity created by the Upgrade or receive any compensation from future Interconnection Customers utilizing the capacity created by the Upgrade.	Support	
JSC-CEF E.2	An Interconnection Application that triggers an Upgrade shall have the option to pay for the full Upgrade, foregoing the cost sharing process and thus paying in full for the additional capacity beyond their project's need. Should the Interconnection Customer choose to fund the full Upgrade cost and forgo the cost sharing process they shall not be entitled to use excess capacity created by the Upgrade or receive any compensation from future Interconnection Customers utilizing the capacity created by the Upgrade. However, within 20 Business days from the issuance of the notice by the Utility, the Reactive Cost Share Participants may elect to pay more than their project's Reactive Cost Share Contribution in order to reach the Mobilization Threshold.	No Position	
E.3	Interconnection Applications with capacity no greater than 40 kWac and do not have available Hosting Capacity to interconnect shall be offered the opportunity to participate in the DSRUP prior to Initial Review. These projects are still subject to the MN DIP process for reviewing, studying, and processing their Interconnection Application.	No Position	
Xcel E.3	Interconnection Applications with capacity no greater than 40 kWac and do not have available Hosting Capacity to interconnect shall be informed prior to Initial Review of the likely need ~~offered the opportunity~~ to participate in the DSRUP ~~prior to Initial Review~~. These projects are still subject to the MN DIP process for reviewing, studying, and processing their Interconnection Application.	No Position	
E.4	An Interconnection Application with a nameplate rating more than 40 kWac is eligible to participate in an active Mobilization Window:		
	a. Once its Interconnection Application has completed a System Impact Study and, if necessary, a Facilities Study as required by MN DIP	No Position	
	OR		
	b. After all applicable MN DIP Studies have been completed.	No Position	
JSC-CEF E.4.c	OR c. after it is deemed complete.	No Position	
E.5	Utilities shall streamline System Impact Studies for Interconnection Applications in queue behind a Trigger Project in Upgrades with an active Mobilization Window to the extent practicable. For Interconnection Applications starting a System Impact Study after a Mobilization Threshold has been met, the Utility shall utilize the Trigger Project's System Impact Study to the extent practicable.	No Position	
E.6	Interconnection Agreements for Reactive Cost Share Participants shall not be tendered for signature until after the Mobilization Threshold has been met and any applicable cluster studies have been completed.	No Position	

E.7	Utility shall countersign all Interconnection Agreements within 5 business days after receiving all signed Interconnection Agreements from all Reactive Cost Share Participants that are participating in the Upgrade.	No Position
E.8	Interconnection customers that elect to be a Reactive Cost Share Participant shall have their queue status updated to "Awaiting Cost Share Upgrade Selection" until the Interconnection Agreements for all Reactive Cost Share Participants that are participating in the Upgrade have been signed and countersigned by the Utility.	No Position
	a. Interconnection Applications in the "Awaiting Cost Share Upgrade Selection" status will maintain their queue position, and the next-in-queue project will be processed and studied through MN DIP. After completion of the System Impact Study and, if necessary, Facilities Study, next-in-queue projects will be notified by the Utility with a signature-ready DSRUP agreement. Next-in-queue projects must sign the DSRUP Agreement and pay the administrative fee within 10 Business Days of receiving notification from the Utility, or withdraw	No Position
JSC-CEF E.8.a	a. Interconnection Applications in the "Awaiting Cost Share Upgrade Selection" status will maintain their queue position, and the next-in-queue project will be processed and studied through MN DIP. After completion of the System Impact Study and, if necessary, Facilities Study, next-in-queue projects will be notified by the Utility with a signature-ready DSRUP agreement. Next-in-queue projects must sign the DSRUP Agreement and pay the administrative fee within 10 Business Days of receiving notification from the Utility, elect to pay more than their project's Reactive Cost Share Contribution in order to reach the Mobilization Threshold, or withdraw	No Position
	b. Next-in-queue projects will not be allowed to pay the entire cost of the upgrade under section E.2.	No Position
	c. If the System Impact Study and Facilities Study for a next-in-queue project determines that a new eligible Upgrade is required that does not fit within the scope of the existing Upgrade, then that next-in-queue project may choose to become a Trigger Project for the new upgrade following E.1 of the Standards.	No Position
	d. Interconnection Applications that are processed as a next-in-queue project and have a capacity no greater than 40 kWac may proceed with interconnection if no upgrades are required and Hosting Capacity is available for applications with a capacity no greater than 40 kWac through a capacity reservation.	No Position
JSC-CEF E.8.d	d. Interconnection Applications that are processed as a next-in-queue project and have a capacity no greater than 40 kWac may proceed with interconnection if no upgrades are required and Hosting Capacity is available for applications with a capacity no greater than 40 kWac ~~through a capacity reservation.~~	No Position
E.9	After all Interconnection Agreements for all Reactive Cost Share Participants that are participating in an Upgrade are countersigned by the Utility, the Upgrade will proceed to detailed design and construction. Reactive Cost Share Participants will have their queue status updated to "Cost Share Upgrade In Progress." Until the Upgrade has been placed in-service. Interconnection Applications will have the estimated Reactive Cost Share Contribution included as an interconnection upgrade cost in the Interconnection Agreement. The Interconnection Agreement must be signed and timely paid consistent with MN DIP timelines	No Position
E.10	After an Upgrade has been placed in-service and before the Payback Period has closed, the queue will be processed following MN DIP. Interconnection Applications that are Deemed Complete during this time will have the estimated Reactive Cost Share Contribution, or the final Reactive Cost Share Contribution if available, included as an interconnection upgrade cost in the Interconnection Agreement. The Interconnection Agreement must be signed and timely paid consistent with MN DIP timelines.	No Position
JSC-CEF E.10	After an Upgrade has been placed in-service and before the Payback Period has closed, the queue will be processed following MN DIP. Interconnection Applications in queue following an Upgrade ~~that are Deemed Complete~~ during this time will have the estimated Reactive Cost Share Contribution, or the final Reactive Cost Share Contribution if available, included as an interconnection upgrade cost in the Interconnection Agreement. The Interconnection Agreement must be signed and timely paid consistent with MN DIP timelines.	No Position

F. Mobilization Threshold and Window

F.1	The Mobilization Threshold for an individual Upgrade is set at:	
	a. 25 percent of total Upgrade costs.	Oppose
	OR	
	b. 80 percent of total Upgrade costs.	Support
	OR	
	c. The Mobilization Thresholds shall be tiered based on cost per MW of capacity added by the Upgrade as follows: ▪ $1/MW - $149,999/MW: 30% ▪ $150,000/MW - $249,999/MW: 45% ▪ $250,000/MW - $349,999/MW: 60% ▪ $350,000/MW - $449,999/MW: 75% ▪ $450,000/MW - $600,000/MW: 80%	Oppose
F.2	The Mobilization Window for an Upgrade shall remain open until an alteration in the electric distribution system requires a new distribution System Impact Study to confirm the accuracy or necessity of the previously identified Upgrade. When the Mobilization Threshold is met the Utility may conduct a new mandatory cluster study with the costs assigned to the relevant Cost Share Participants consistent with a Utility's Cluster Study guidelines and timelines. Refusal by a Reactive Cost Share Participant to pay for its share of the study cost will constitute withdrawal.	Support
F.3	If either of the scenarios described in 3a or 3b occurs in the steps following an Upgrade being selected in the Upgrade prioritization process, the Utility will issue notice to the Reactive Cost Share Participants participating in the Upgrade that the Upgrade will be moved back to an open Mobilization Window. Within 20 Business days from the issuance of the notice by the Utility, the Reactive Cost Share Participants may elect to pay more than their project's Reactive Cost Share Contribution in order to reach the Mobilization Threshold, or the Upgrade will be moved back to an open Mobilization Window. After an Upgrade is moved back to an open Mobilization Window, when the Mobilization Threshold has been met again, the Upgrade will advance to the prioritization selection process. a. A Reactive Cost Share Participant withdraws such that the mobilization threshold is no longer reached. b. The final cluster study cost estimate varies from the previous estimate such that the mobilization threshold is no longer reached.	Support
F.4	If either of the scenarios described in 4a or 4b occurs in the steps following an Upgrade being selected in the Upgrade prioritization process, the Upgrade will be reprioritized against the criteria in G.1 of the Standards. If the reprioritization results in the Upgrade no longer maintaining its priority, it will be reconsidered in the next prioritization process as described in G.4 of the Standards before proceeding. a. A Reactive Cost Share Participant withdraws. b. The final cluster study cost estimate varies from the previous estimate by more than 20%.	Support
F.5	If an Upgrade is moved back to an open Mobilization Window after estimated Reactive Cost Share Contributions have been paid by a Reactive Cost Share Participant, the Utility shall issue refunds of the estimated Reactive Cost Share Contributions within 30 Business Days from the date the Utility notifies the Reactive Cost Share Participants that the Mobilization Window is being reopened.	Support

F.6	If a Mobilization Window remains open for more than two years, the Utility may consider Upgrade as a potential Proactive Upgrade in its next Proactive Upgrade Proposal under the framework established in Docket E002/CI-24-318.	Oppose	
OAG F.6	~~If~~ Once a Mobilization Window has remain~~ed~~ open for ~~more than~~ two years, the Utility may consider that Upgrade as a potential Proactive Upgrade in its next Proactive Upgrade Proposal under the framework established in Docket E002/CI-24-318. The Utility shall describe in its Proactive Upgrade Proposal how close to the Mobilization Threshold the Upgrade came and explain why it believes there will be greater demand for the Upgrade in the future.	Support	
Xcel F.7	The Mobilization Window shall close if the Mobilization Threshold is not reached within two years.	No Position	
Xcel F.8	The Mobilization Window shall close if all Reactive Cost Share Participants withdraw.	No Position	
G. Upgrade Prioritization			
G.1	When there are multiple eligible Upgrades that have reached the Mobilization Threshold, their construction shall be prioritized based on the below-listed criteria. In the case different upgrades are tied or equal in a given criterion, the upgrade will be prioritized by the next following criterion. The criteria used to evaluate the upgrades shall adhere to the following order: a. The Upgrade with the highest percentage of developer-funded Upgrade cost b. Lowest cost per megawatt of capacity added by the Upgrade c. Most capacity constraints d. Clear optimization benefits for the grid	No Position	
G.2	Notwithstanding the criteria listed in G1, where supply chain issues, permitting issues, or other issues that may delay an Upgrade by one year or longer are encountered, the Utility may remove the Upgrade from consideration until the next Upgrade prioritization review, and instead select the next highest priority Upgrade using the prioritization criteria.	No Position	
G.3	Following tariffed process initiation, every ____ the Utility shall review Upgrades that have met the Mobilization Threshold during the previous ____ months and prioritize them based on criteria in G1.		
	a. Three months	No Position	
	OR		
	b. Six Months	No Position	
G.4	An initial prioritization shall occur utilizing the criteria in G1 within six months of tariffed DSRUP approval. Following initial prioritization governed by G1, Upgrades shall move forward on a first come, first serve basis. Prioritization shall only be used when Upgrades meet the Mobilization Threshold during the same period as set in Section G3.	No Position	
G.5	Approval through the prioritization process chosen in Section G shall create a rebuttable presumption of prudence in any cost recovery proceeding	Oppose	
OAG G.5	OAG G.5: ~~Approval~~ Selection through the prioritization process chosen in Section G shall create a rebuttable presumption ~~of prudence~~ that pursuing construction of an approved Upgrade was prudent in any cost recovery proceeding. The utility retains the burden of proof.	Support	
G.6	Complaints regarding the prioritization results shall be addressed through the Formal Complaint process as subject to Minn. Rules 7829.1700-.1900 rather than the DSRUP dispute resolution process.	No Position	
H. Payment Details			
H.1	Interconnection Customers that have elected to participate in an Upgrade during an open Mobilization Window shall have an executed DSRUP Agreement to pay their Reactive Cost Share Contribution at the time the Interconnection Agreement is signed and paid consistent with MN DIP timelines.	No Position	
H.2	Interconnection Customers shall pay a non-refundable administrative fee with each executed DSRUP Agreement to participate in an Upgrade during an open Mobilization Window. The Interconnection Customer may exit the DSRUP Agreement at any time but will not be refunded the administrative fee.	No Position	
H.3	A DSRUP Agreement shall not be contingent upon any other DSRUP Agreement for another Upgrade.	No Position	
H.4	Reactive Cost Share Participants may withdraw after all Interconnection Agreements for all Reactive Cost Share Participants that are participating in an Upgrade are countersigned by the Utility but shall not receive a refund of their Reactive Cost Share Contribution	No Position	
OR			
H.5	Reactive Cost Share Participants are not allowed to withdraw after all Interconnection Agreements for all Reactive Cost Share Participants that are participating in an Upgrade are countersigned by the Utility and shall be assessed a penalty by the Utility if they do	No Position	
H.6	Reactive Cost Share Participants may choose to use surety bonds and/or letters of credit to pay for their cost share contribution with cash payments becoming due in alignment with utilities' actual spending/costs incurred.	No Position	
H.7	The Utility shall track the funds via the initial invoice deposit and issue refunds to those that overpay.	No Position	
H.8	Any Reactive Cost Share Participant may pay more than their project's Reactive Cost Share Contribution in order to reach the Mobilization Threshold of an Upgrade. This payment beyond their project's calculated Reactive Cost Share Contribution shall be refunded if additional Reactive Cost Share Contributions are received prior to the Payback Period closing. A refund shall be issued to the overpaying Reactive Cost Share Participant within 30 business days from the date a new Reactive Cost Share Contribution is collected by the Utility. The amount refunded to overpaying Reactive Cost Share Participant is determined by the Reactive Cost Share Contribution collected from the new Reactive Cost Share Participant, not exceeding the amount of excess payment remaining to be refunded. Any remaining excess payment is not refundable once the Payback Period closes. Once the Payback Period closes or the over-payer has been fully refunded the excess payment, all funds from subsequent Reactive Cost Share Participants shall be credited to ratepayers.	No Position	OAG proposes an alternative H.8 for clarity but does not take a position on the substance of the item.
OAG H.8	Any Reactive Cost Share Participant may pay more than their project's Reactive Cost Share Contribution in order to reach the Mobilization Threshold of an Upgrade. This payment beyond their project's calculated Reactive Cost Share Contribution shall be refunded if additional Reactive Cost Share Contributions are received prior to the Payback Period closing. A refund shall be issued to the overpaying Reactive Cost Share Participant within 30 business days from the date a new Reactive Cost Share Contribution is collected by the Utility. The amount refunded to overpaying Reactive Cost Share Participant is determined by the Reactive Cost Share Contribution collected from the new Reactive Cost Share Participant, not exceeding the amount of excess payment remaining to be refunded. Any remaining excess payment is not refundable once the Payback Period closes. Once ~~the Payback Period closes or~~ the over-payer has been fully refunded the excess payment, all funds from subsequent Reactive Cost Share Participants shall be credited to ratepayers.	No Position	OAG proposes an alternative H.8 for clarity but does not take a position on the substance of the item.

H.9	If two or more Reactive Cost Share Participants pay more than their projects' Reactive Cost Share Contribution obligations for a single Upgrade, the Utility shall refund such excess amounts in the order in which the excess payments were received. The reactive cost Share Participant whose excess payment was received first shall be refunded in full prior to the issuance of any refund to the Participant whose excess payment was received subsequently, and this sequence shall continue accordingly until all excess payments have been refunded.	No Position	
H.10	There may be cases where a Utility collects greater than 100% of the final Upgrade costs and over-paying Reactive Cost Share Participants have already been refunded. If this occurs the excess will be returned to ratepayers by reducing the Utility's total recovery of distribution capital costs of the DSRUP the next time it seeks recovery for Process's costs.	Support	
H.11	Interconnection Applications under 40 kWac are exempt from paying a Reactive Cost Share Contribution if Hosting Capacity is available for Interconnection Applications under 40 kWac through a capacity reservation.	No Position	
H.12	Reactive Cost Share Participants may use other, Utility-specific, cost sharing programs to fund their Reactive Cost Share Contribution where applicable and with subsequent approval in those relevant Utility-specific cost sharing program docket proceedings.	Support	
I. Payback Period			
I.1	The Payback Period shall remain open once the Mobilization Threshold is reached and remains open for:		
	a. A minimum of five years from the Upgrade's in-service date.	Oppose	
	i. If at least 75% of the costs of the Reactive Distribution Upgrade have not been recovered after five years, the Payback Period is automatically extended by an additional three years.	Support as amended*	The OAG supports alternative OAG I.1.a.i if the Commission selects I.1.a
OAG I.1.a.i	i. If at least ~~75%~~ 90% of the costs of the Reactive Distribution Upgrade have not been recovered after five years, the Payback Period is automatically extended by an additional three years.	Support	
	OR		
	b. A minimum of ten years from the Upgrade's in-service date.	Support as amended*	The OAG proposes alternative OAG I.1.b for simplicity
	OR		
OAG I.1.b	b. ~~A minimum of~~ ten years from the Upgrade's in-service date.	Support	
	OR		
	c. Until 100% of Upgrade costs are recovered from Interconnection Customers	Oppose	
	OR		
	d. No more than ten years from the Upgrade's in-service date	Oppose	
I.2	The Payback Period shall end if:		
	a. The Hosting created by the Upgrade is fully utilized by Reactive Cost Share Participants and all over-payers have been fully refunded the amounts above their Reactive Cost Share Contribution.	Oppose	
Xcel I.2.a	a. The Hosting Capacity created by the Upgrade is fully utilized by Reactive Cost Share Participants and all over-payers have been fully refunded the amounts above their Reactive Cost Share Contribution., or	Oppose	
	b. The duration of the Payback Period defined in I.1 has elapsed.	Support	
I.3	All Interconnection Applications that are in the Deemed Complete state within the Payback Period shall be subject to paying their Reactive Cost Share Contribution	No Position	
J. Annual Rate Payer Cost Cap			
J.1	The Commission shall decide the Annual Ratepayer Cost Cap for Utility in a tariff filing upon approval of that Utility's DSRUP	Support	
J.2	The Annual Ratepayer Cost Cap shall not exceed _____ % of the annual average of the Utility's forecasted 5-year distribution capital budget from its most recent Integrated Distribution Plan.		
	a. 2 percent	Oppose	
	OR		
	b. 11 percent, or a percent that will equal $95 million fo Xcel	Oppose	
J.3	The Commission intends that the Annual Ratepayer Cost Cap will remain in place for at least 24 months since the most recent change to the cost cap went into effect before the Commission considers modifications. A Utility, prospective Trigger Projects, and ratepayer advocates may request a modification to the Annual Ratepayer Cost Cap. In determining whether to change the Annual Ratepayer Cost Cap, the Commission shall consider, at a minimum, previous and future ratepayer costs and risks arising from the Utility's DSRUP, total pending cost share contributions, and the demand for new Upgrades.	Support	
J.4	The Outstanding Costs of constructed Upgrades that have not been paid for by Reactive Cost Share Contributions shall count towards the Annual Ratepayer Cost Cap.	Support	
	a. Costs of Upgrades that have not been paid for by Reactive Cost Share Participants upon the Payback Period closing shall be removed from the Annual Ratepayer Cost Cap.	No Position	
J.5	Once the Annual Ratepayer Cost Cap is reached, the Mobilization Threshold for all pending Upgrades is set to 100 percent until the total amount recoverable from ratepayers drops below the cap. As available space opens up within the cost cap, projects transitioning back to the standard Mobilization Threshold shall follow existing prioritization processes.	Support	

Xcel J.5	Once the Annual Ratepayer Cost Cap is reached, the Mobilization Threshold for all pending Upgrades is set to 100 percent until the total amount recoverable from ratepayers drops below the cap. ~~As available space opens up within the cost cap, projects transitioning back to the standard Mobilization Threshold shall follow existing prioritization processes~~	No Position	
K. Cost Recovery			
K.1	Outstanding costs will not be eligible for rate recovery for the first five years of the Payback Period. After five years, the remainder of the outstanding costs shall be eligible for cost recovery.	Support	
K.2	The Utility will not accrue carrying costs during the first five years of the Payback Period.	Support*	1st choice if K.1 is selected
K.3	The utility will accrue carrying costs during the first five years of the Payback Period. The percentage rate for calculating carrying costs shall be the _____.		
	a. utility's authorized Weighted Average Cost of Capital from the most recently approved rate case	Oppose	
	OR		
	b. utility's long-term cost of debt	Support*	2nd choice if K.1 is selected
	c. Carrying costs shall not be capitalized. Carrying costs may be recovered through the Utility's Transmission Cost Recovery rider petition.	Support	
K.4	Projects enabled by Upgrades that interconnect after the initial five years of the Payback Period has closed shall still be required to pay a Reactive Cost Share Contribution until the close of the Payback Period. Reactive Cost Share Contributions paid after the initial five years of the Payback Period shall be returned to ratepayers by paying down the remaining rate base of the Upgrade.	Support	
K.5	A Utility may petition to recover outstanding costs through any or all of the following (but without any double recovery):		
	a. Through a general rate case.	Support	
	b. Through its Transmission Cost Recovery Rider pursuant to Minn. Stat. 216B.16, Subd. 7b, paragraph (b), clause 6.	Support	
	c. Through deferred accounting	Oppose	
	d. Through invoices for DER projects	Oppose	
K.6	All Reactive Cost Share Contributions collected from Reactive Cost Share Participants shall be collected during the Payback Period and shall be:		
	a. Returned to ratepayers as an offset to the revenue requirements of Reactive Cost Share Distribution Upgrade	Oppose	
	OR		
	b. Used to offset the rate base amount of the Upgrade until the upgraded assets are fully paid down, or the Payback Window closes.	Support	More important than K.1 through K.4
L. Cost Allocation			
L.1	Costs recovered from ratepayers shall be treated consistent with the most recently approved rate case allocators and established revenue requirement procedures. Parties to a Utility's rate case or other cost recovery proceeding may request that the Commission establish a different cost allocation and procedures for DSRUP Upgrades.	Support*	The OAG prefers L.2 over L.1
L.2	For Reactive Cost Share Distribution Upgrades primarily serving large commercial and/or industrial customers, Upgrades shall be tracked separately from other rate-base assets and costs not paid for by Cost Share Contributions shall be allocated to the large commercial and industrial classes contributing to the need for or benefiting from the Upgrade. For all Upgrades that do not primarily serve large commercial and/or industrial customers, costs will be allocated according to the most recently approved rate case allocators and revenue requirement procedures. Parties to a Utility's rate case may request that the Commission establish a different cost allocation and procedures for DSRUP Upgrades.	Support	The OAG prefers L.2 over L.1
L.3	To the extent that DSRUP Upgrade costs are allocated to ratepayers, the Utility shall identify and mitigate adverse bill impacts on under-resourced customers and/or small businesses	Support	
M. Publication of DSRUP Information and Data			
M.1	Utilities shall make all reasonable efforts to publish the feeders and/or substations that have an open Mobilization Window and the availability of potential Upgrades where there is an open Mobilization Window as well as where there is an Upgrade already constructed that still has available hosting capacity remaining. Utilities shall publish the following information on a monthly basis for each active Upgrade location: a. The $/kW Pro Rata Cost to participate in the Upgrade b. Start and end dates of the Mobilization Window c. Start and end dates of the Payback Period d. The feeders and/or substations that have an open Mobilization Window e. The maximum amount of distribution capacity that could be created by the Upgrade f. Status of the Mobilization Threshold i. How many projects have opted in ii. The capacity they have taken up iii. The progress, in percentage, towards the Mobilization Threshold	No Position	
M.2	The information in M1 shall be included in Hosting Capacity maps.	No Position	
M.3	The information in M1 shall be listed on a spreadsheet	No Position	
N. Reporting and Process Evaluation			
N.1	Utilities shall file an annual compliance filing in Docket 24-288 the following reporting requirements:	No Position	
	a. List of ongoing projects by feeder and status (waiting for Mobilization Threshold to be reached, Upgrades in progress, post-construction Mobilization Window)	No Position	
	b. Status of the Annual Ratepayer Cost Cap (how much $ space is available)	No Position	
	c. Revenue Requirements	No Position	

	d. Impact to the Annual Ratepayer Cost Cap from each project including a forecast of cap space (assuming no new cost share customers interconnect)	No Position
	e. Total costs allocated to ratepayers by the DSRUP	No Position
	f. Total capacity (kWac) added by the DSRUP	No Position
	g. Total cumulative capacity (kWac) added by DSRUP	No Position
	h. Total amount funded by Reactive Cost Share Contributions	No Position
	i. Details about each individual Upgrade made, including	No Position
	i. Capacity added	No Position
	ii. Total Cost (estimated, final), Pro Rata Cost (estimated, final)	No Position
	iii. Trigger date, construction date, etc. (length to Mobilization Threshold)	No Position
	iv. How many projects were involved, their sizes	No Position
	j. The monetary benefit to ratepayers as a result of Upgrades that were more than 100% funded.	No Position
	k. The results of upgrade prioritization process for each Upgrade.	No Position
N.2	Utilities must file reports that include the preceding ~~following~~ information and data to the greatest extent practicable. Where a Utility is not able to provide the required information, the Company shall explain why it is unable to do so. Such reports must be filed annually on March 1st in the current docket, 24-288. Where applicable, Utilities must include data in spreadsheet (.xlsx) format as well as in tabulated form. If a Utility also files a PDF version of spreadsheet data, it must be filed as an attachment in a separate document instead of being merged with the main report	No Position
N.3	The Utility shall also include a summary of the DSRUP information in its Integrated Distribution Plan, including total projects triggered, total projects constructed, what portion of the Annual Ratepayer Cost Cap has been used, and other key metrics	No Position
N.4	After four years of DSRUP tariffed operation, each Utility shall file an evaluation of the Standards and any recommended changes with its annual report in Docket 24-288	No Position
N.5	In addition to Utility evaluations, the DSRUP Standards are subject to refinement through Commission Order or through the Reactive Upgrade Workgroup with subsequent Commission approval. The Reactive Upgrade Workgroup shall be convened by Commission Staff and shall meet as necessary to refine and improve the Standards. Workgroup participants may reach out to Commission Staff to raise issues or concerns that may require the workgroup to reconvene.	No Position
N.6	The DSRUP shall be evaluated based on the proposed reporting requirements.	No Position
O. Dispute Resolution		
O.1	Dispute resolution shall be consistent with the highlighted portions of Attachment B	No Position
P. Tariff Implementation		
P.1	These standards shall be implemented with each Utility through tariffs filed by each Utility.	No Position
P.2	The tariff filing shall include a Utility's DSRUP Agreement.	No Position
JSC-CEF Additional Recomendations		
	Increase Detail in Impact Study Cost Estimates: Require utilities to provide itemized, equipment level cost breakdowns (including labor, materials, and allowable contingency) in their cost estimates for distribution upgrades. This increased granularity will provide interconnection customers with a transparent understanding of what utility infrastructure they are paying for and what factors are driving costs.	Support
	Establish Annual Cost Matrix Filings: Direct Minnesota's utilities to publish and update matrices with itemized actual costs for common distribution upgrades. This process will provide the Commission and DER stakeholders with greater transparency into utility costs and ensure that changes to cost estimation are informed by the utilities' true costs of distribution upgrades.	Support
	Require Itemization on Reconciliation Statements: Direct Minnesota's utilities to provide interconnection customers with a detailed, itemized, clear statement of final costs for all distribution upgrades, including explanations for variances exceeding 125% of the original estimate. This is a much-needed improvement to the current reconciliation process, whereby utilities either provide minimal detail or inscrutable invoices/receipts that cannot be reviewed or analyzed in a reasonable manner.	Support
	Require Acceptance of Both Letters of Credit and Bonds for Interconnection Deposits: Interconnecting customers triggering complex infrastructure upgrades are required to make interconnection deposits years in advance of high-level substation commissioning timelines, resulting in multi-year carrying costs. Bonds have a much lower carrying cost than cash (~one percent paid annually versus 13% paid quarterly). And could be utilized in these circumstances to allow for delay in actual cash payment until a time closer to interconnection, which would greatly diminish the carrying cost and risk to interconnecting customers.	No Position