

**STATE OF MINNESOTA  
PUBLIC UTILITIES COMMISSION**

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January 27, 2026

**In the Matter of Northern States Power Co.  
d/b/a Xcel Energy's Petition for Approval  
of Capacity\*Connect, a Distributed Capacity  
Procurement (DCP) program**

**Docket No. E002/25-378**

**COMMENTS OF FRESH ENERGY**

**I. Introduction**

Fresh Energy supports the approval of the Capacity\*Connect (C\*C) program with modifications. In these supplemental comments, we summarize our position on the Company's approach to siting and operating assets in Phase 2 and provide additional support for our equity recommendations in response to the Company's reply comments. We maintain recommendations made in our initial and reply comments, except where we note changes have been made.

**II. Phase 2 approach**

Fresh Energy's priority continues to be a C\*C program that allows the Company to deliver bulk system value in Phase 2, through MISO registration, while maximizing coincident distribution value and testing the feasibility of capturing additional distribution system value in subsequent phases. Fresh Energy believes that the cost benefit analysis presented in the Company's initial filing, based largely on its ability to deliver bulk system benefits, provides justification for approval of up to 200 MW in Phase 2. While this analysis is slightly below 1 for Phase 2, this phase presents the opportunity for significant learnings which are not quantified in a CBA. We expect that subsequent phases will present improved CBAs based on what the Company learns from Phase 2, specifically in terms of how it can capture distribution system value streams while delivering bulk system benefits.

While we share other parties' optimism around the potential distribution value of this program, we are concerned that targeting individual distribution value streams, with uncertain and largely unquantified benefits, creates unnecessary risk for ratepayers and risks losing some of the bulk system benefits, which make up a significant portion of the calculated benefits in the program's CBA. Instead, we support the operation of Phase 2 assets to meet bulk system benefits through MISO registration while collecting data and reporting on distribution benefits to support pursuit of these value streams in subsequent phases.

To ensure this occurs, Fresh Energy continues to support specific and transparent reporting requirements. As outlined in our reply comments, we recommend the Company be required, to the extent feasible, to site assets in locations where it can test different distribution system value streams *while operating the program for bulk system benefits*. This would allow the Company to collect the data necessary to measure the tradeoffs between operating the program to meet the needs of the bulk system and targeting specific distribution system use cases. We re-state our recommendation from reply comments below:

**Recommendation:** The Company should add secondary siting criteria that maximize its ability to learn from Phase II. This should include siting, where possible, based on:

- Identified reliability issues.
- Deferred transmission and distribution investment opportunities.
- Locations with high penetrations of DERs, grid congestion, and/or Daytime Minimum Load issues.

The company should use data collected from these assets to construct hypothetical test cases measuring the distribution value the Company could capture if these assets were operated for distribution system benefit.

In our Reply Comments we also provided recommendations for what should be included in the Interim Program Assessment. We believe these create a strong foundation for reporting but believe additional stakeholder input is needed to develop a complete framework. Accordingly, we propose that Xcel be required to develop an evaluation framework and file it in this docket within 180 days of Commission order. The Company should be required to consult with stakeholders to develop this framework, and it should build on the reporting framework proposed in the Company's initial filing. Our full recommendation is included below:

**Recommendation:** Within 180 days of Commission order, the Company should file an evaluation framework, created with stakeholder input, specifying what will be evaluated and reported on in the Interim Program Assessment. At a minimum, the Interim Program Assessment should include a plan for evaluating the following:

- How DERMS dispatch decisions reflect tradeoffs between bulk and distribution system benefits.
- The extent to which concurrent benefit streams were realized in Phase 2.

- Alignment between MISO dispatch requirements and dispatch for distribution system value, understanding the Company is not expected to dispatch these assets for distribution system value in Phase 2.
- Detailed discussion of its experience siting C\*C assets.
- For assets sited using a secondary distribution criteria, an analysis of the potential benefits had the asset been operated to capture a specific distribution value stream.
  - This should be informed by a feeder-level power flow analysis and an associated cost-benefit analysis.

The Interim Program Assessment should be conducted by a third-party and filed after 20 MW of capacity is operational or after 2 years, whichever occurs first, as proposed in the initial filing. The Commission should notice a comment period following the submission of the Interim Program Assessment to allow stakeholders to provide input on the report and program progress. The Commission could use this opportunity to issue any course corrections it deems necessary based on the report’s findings.

### **III. Equity approach**

#### **A. Responsible sourcing and supplier diversity**

Xcel states that its existing Supplier Development approach is sufficient for Capacity\*Connect, noting that it “requires all sourcing events to include at least one certified supplier” and that it will “prioritize and incentivize” certified businesses through evaluation scoring.

Fresh Energy appreciates Xcel’s commitment to including certified suppliers in sourcing events and leveraging evaluation scoring to encourage broader participation. This builds a solid foundation. At the same time, Fresh Energy’s comments in Docket No. 25-97 (Xcel Energy’s Utility Diversity Reporting) highlighted that supplier diversity outcomes in Minnesota remain modest relative to the scale of utility procurement. In 2024, of total procurement by Northern States Power – Minnesota (serving Minnesota, North Dakota, and South Dakota), 2.3% was from female-owned enterprises, 1.4% from minority-owned businesses, 0.2% from veteran-owned businesses, and 4.0% from small businesses. While these figures reflect a baseline level of engagement, they also point to a clear opportunity – especially for a large, structured, time-bound program like Capacity\*Connect – to expand pathways for certified businesses, drive more competitive bids, and deliver stronger, more inclusive economic outcomes for Minnesota communities.

Capacity\*Connect offers a significant near-term contracting opportunity through substantial competitive solicitations planned across defined tranches and timelines. As a discrete and high-visibility initiative, it provides an ideal platform to pilot innovative supplier diversity and capacity-building strategies that can be tested, refined, and then scaled across Xcel’s broader procurement portfolio – ultimately benefiting customers, the grid, and diverse suppliers alike.

For these reasons, Fresh Energy respectfully recommends that the Commission direct Xcel to file – prior to or concurrent with the first major Capacity\*Connect solicitations – a Capacity\*Connect Supplier Diversity and Capacity-Building Plan that includes, at minimum:

- Minnesota-specific baseline reporting for certified-business participation relevant to the types of contracts anticipated under Capacity\*Connect (including prime and Tier II subcontracting), along with a clear definition of “certified businesses” for reporting purposes.
- Measurable expectations (such as phased targets or other transparent benchmarks) for both prime contracting and subcontracting, accompanied by a concise explanation of how evaluation scoring and other incentives are designed to increase awards to certified businesses over time.
- Time-bound capacity-building commitments aligned with the Capacity\*Connect rollout schedule – such as pre-bid technical assistance workshops, mentor – protégé partnerships, bid readiness coaching, prompt payment assurances, and contract unbundling – rather than relying exclusively on existing general programs.
- Quarterly reporting that tracks: (a) bids received from certified businesses, (b) awards made, (c) actual dollars paid (beyond just awarded amounts), and (d) Tier II participation.

These steps would build directly on Xcel’s current practices, provide valuable data to demonstrate impact, and position Capacity\*Connect as a model for advancing supplier diversity in a way that supports reliable, clean, and equitable energy delivery for all Minnesotans.

### **B. Equity stakeholder engagement: why a Capacity\*Connect-focused equity group is still necessary**

Xcel states that a Capacity\*Connect-focused equity advisory group would be overly burdensome, duplicative of existing structures, and could delay near-term deployment, pointing instead to the Environmental Justice Advisory Board (EJAB) and direct outreach to customers and communities.

Fresh Energy agrees that direct community engagement is essential, and we appreciate Xcel’s ongoing efforts to involve EJAB and other stakeholders in meaningful ways. At the same time, periodic outreach is most effective when paired with a standing, program-specific forum that can (1) provide sustained continuity across Capacity\*Connect’s multiple procurement tranches and evolving phases, (2) consistently review and interpret quarterly equity reporting, and (3) create a reliable feedback loop to identify improvements early and incorporate them efficiently as the program advances. A Capacity\*Connect focused group is designed to support and accelerate successful implementation – not impede it – by clarifying expectations, building shared understanding among participants, and helping

address potential issues proactively before they arise in solicitations, contracting, or deployment.

In practice, EJAB's broad scope and agenda naturally prioritize a range of critical environmental justice issues, including important work to streamline energy efficiency access for under-resourced customers. This limits the consistent time and depth EJAB can dedicate specifically to Capacity\*Connect's operational details and adaptive timeline. Xcel did provide EJAB with a valuable opportunity to learn more about Capacity\*Connect and offer feedback, which EJAB members appeared to appreciate. However, only a small number of EJAB members were able to participate in the discussion – a reflection not of any shortcoming in EJAB, but of members' many competing priorities and limited capacity. Relying solely on EJAB therefore risks making equity input intermittent rather than sustained and implementation-oriented, especially as Capacity\*Connect transitions from planning to active solicitations, contracting, and on-the-ground deployment.

Xcel's filing itself highlights the value of structured, ongoing input: the Company emphasizes that Capacity\*Connect is intended to be adaptive, with potential changes as deployment progresses. An adaptive program thrives when informed by regular, consistent engagement – particularly from communities most affected – ensuring that adjustments are grounded in transparent review of outcomes and trusted feedback. This approach strengthens program success, enhances community benefits (such as equitable economic opportunities through hosting or supplier participation), and aligns with broader goals of reliable, clean, and inclusive energy delivery for Minnesotans.

Accordingly, Fresh Energy respectfully recommends that the Commission direct Xcel to establish a Capacity\*Connect Equity Advisory Group that:

- Meets at least quarterly, timed to align with key reporting cycles, procurement milestones, and program updates.
- Includes diverse representation from community-based organizations, environmental justice communities, and certified businesses/suppliers with relevant experience.
- Reviews equity metrics – including but not limited to supplier diversity outcomes, host community engagement practices, and participation trends – and offers actionable, timely recommendations to support continuous improvement and adaptive refinements.

These steps would complement Xcel's existing engagement efforts, provide focused support for Capacity\*Connect's unique needs, and help ensure the program delivers maximum value – including stronger equity outcomes – while moving forward efficiently.

Respectfully submitted,

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