

**STATE OF MINNESOTA
PUBLIC UTILITIES COMMISSION**

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December 10, 2025

**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

Background

Fresh Energy appreciates the opportunity to comment on Xcel’s proposed Capacity*Connect (“C*C”) Distributed Capacity Program (“DCP”). Fresh Energy was a party to the 2024 IRP/firm dispatchable settlement, which included the DCP concept. In our comments on the settlement, filed jointly with other Clean Energy Organizations, we applauded the Company’s pursuit of a DCP as an innovative solution to support decarbonization of Xcel’s system while maintaining reliability.¹ We continue to support the concept, which has now materialized as Xcel’s C*C proposal and view the program, as outlined in the Company’s initial filing, as a positive step forward. We believe partnering with Sparkfund will allow the Company to leverage a distributed capacity model that can be brought online quickly and, if successful in Phase II, scaled to provide a range of benefits to Xcel’s system.

In these initial comments, we provide support for Xcel’s phased approach and focus on bulk system capacity in Phase II. We then provide specific recommendations to advance equity within the Capacity*Connect program. These recommendations are summarized below. We look forward to engaging with the Company and other stakeholders in subsequent rounds of comments.

¹ MPUC Docket No. RP-24-67, Initial Comments of the Clean Energy Organizations in Support of the Proposed Settlement, December 4, 2024. Pg 4.

<https://efiling.web.commerce.state.mn.us/documents/%7BC0999393-0000-CC31-BC21-6C69EBD36F22%7D/download?contentSequence=0&rowIndex=175>

Summary of Recommendations

1. Approve petition
2. Implement an Equity Advisory Group focused on C*C.
3. Set a target of 40% of program benefits delivered to designated communities.
4. Establish siting targets to address reliability disparities in designated areas.
5. Establish a diverse-supplier set-aside and use inclusive procurement practices.
6. Develop a training fund for diverse businesses and local workers.
7. Require host-site targets for designated communities.
8. Facilitate transparency with a public dashboard and reporting requirements.

II. Support for C*C's Phased Approach

Identifying sources of capacity that do not require the Company to invest in new fossil fuel infrastructure and can be brought online quickly is a high priority for Fresh Energy. Accordingly, we strongly support C*C Phase II's focus on providing bulk system benefits, including participation in MISO energy and capacity markets.

As stated in its initial filing, much of the value of the program comes from its ability to contribute toward Xcel's resource adequacy obligations in MISO which could offset the need for some large-scale generation resources. As evidenced by MISO's most recent Planning Resource Auction (Planning Year 2025 – 2026) the region continues to face increasing capacity constraints.² This is expected to worsen as additional large loads seek to interconnect in the coming years. While Xcel has historically covered its own capacity and has not been subject to the MISO PRA, increasing loads could change this dynamic. Additionally, the Company's ability to sell excess capacity, to the extent any materializes, into the auction, especially as prices are expected to rise, can benefit its ratepayers.

We recognize that the C*C model is novel, and the full extent of the benefits and risks will not be fully understood until the program is operating within Xcel's system. However, Fresh Energy believes the Company's phased implementation approach is an effective strategy for managing this uncertainty and mitigating risk. By focusing on a specified set of benefits in each phase, beginning with bulk system benefits in Phase II, the Company can more precisely evaluate how the program can meet the needs of varying aspects of its system. For example, while delivering capacity and energy benefits in Phase II, the Company will also be able to evaluate how the C*C can benefit the distribution system, allowing it to better manage the program to deliver these benefits in subsequent phases.

The proposed reporting and assessment schedule, as outlined in Table 7 of Xcel's initial filing, provides the Commission and stakeholders insight into implementation progress through quarterly reporting on specified metrics. Further, the interim program assessment will provide the Commission with the opportunity to order adjustments to the program if progress is insufficient. We encourage stakeholders to submit recommendations for additional reporting metrics they deem beneficial and look forward to engaging further on this topic as the record develops.

² MISO PY25-26 Planning Resource Auction, Corrections, April 29, 2025.
https://cdn.misoenergy.org/2025%20PRA%20Results%20Posting%2020250529_Corrections694160.pdf

Finally, operating an innovative program with clear reporting requirements will provide lessons learned for other Minnesota utilities. As the state's largest utility, Xcel is well-positioned to pursue innovative solutions to the many challenges facing the electricity industry. This delivers benefits that extend beyond Xcel's service territory. By recognizing the value distributed resources can provide to its system and proposing a program that will capture this value, Xcel is providing the state, and the broader electricity industry, with crucial information about how these resources should be managed as part of a reliable and decarbonized grid. A successful C*C would provide Xcel and other Minnesota utilities with a valuable tool for meeting its decarbonization targets.

III. Equity Recommendations

Fresh Energy appreciates Xcel's discussion of how the program can improve equity and access in Environmental Justice (EJ) communities. In its Petition, the Company explicitly states that it intends to design and implement C*C "in support of equity and EJ objectives wherever possible" and identifies procurement, feeder selection/site host prioritization, and community engagement as key avenues for doing so.

We view this as an important starting point. At the same time, because C*C represents a large and long-lasting investment, we recommend that the Commission ensure the Company's equity aspirations are clear and measurable, benefiting EJ communities and diverse suppliers. Accordingly, we propose the following recommendations for embedding equity into the Company's proposal. Many of these recommendations have been reviewed collaboratively with numerous stakeholders and are intended to serve as a foundation for a set of concrete actions the Company can take to deliver on its equity goals. We look forward to feedback and additional discussion in the docket of how the C*C program can best deliver benefits to environmental justice communities.

Equity Advisory Group Focused on C*C

Fresh Energy recommends establishing a C*C-specific Equity Advisory Group that meets with Xcel and Sparkfund at least four times per year to advise on site selection, host benefits, engagement of diverse suppliers, and workforce outcomes. The Commission ordered the creation of a similar equity stakeholder group in Xcel's 2020 IRP, and we found it to be a productive way for the Company to build deeper relationships with under-represented communities and better understand their needs and challenges.

Xcel then created the Environmental Justice Accountability Board which has been a forum for meaningful dialogue that is exploring improvements to energy efficiency programs to make them more accessible.

Similarly, we recommend the creation of a C*C-specific Equity Advisory Group. We recommend that this group be distinct from the existing Environmental Justice Advisory Board (EJAB) as the EJAB has already identified energy efficiency as its current priority area, and the expertise needed to advise on a complex, front-of-the-meter storage and procurement initiative such as the C*C may differ from the expertise represented on EJAB (although there may be some overlap). The C*C Equity Advisory Group should include representatives from the communities most affected by reliability and affordability challenges and individuals with knowledge of distribution system reliability, supplier diversity, workforce development, and host-site community benefits. Creating an Equity Advisory Group can help deliver on the Company's intent to ensure equity and give communities an ongoing role in defining success for the C*C. We also recommend that a C*C-

specific Equity Advisory Group include executive-level participation from both Xcel and Sparkfund (Vice President level or above). Direct engagement in these conversations will allow senior leaders to hear from community members focused on equity and to understand firsthand their needs, concerns, and aspirations.

We also recommend that Xcel provide compensation to C*C-specific Equity Advisory Group members, similar to the model Xcel is using to compensate members of the EJAB.

Recommendations:

- Create a C*C-specific Equity Advisory Group that meets with Xcel and Sparkfund at least four times per year to ensure that site selection, host benefits, engagement of diverse suppliers, and workforce outcomes meaningfully reach under-represented communities.
- Require an executive at Xcel to attend each meeting.
- Recommend a Sparkfund executive attend each meeting.
- Require Xcel to pay compensation to the C*C-specific Equity Advisory Group.

Equity Benefits Target

Fresh Energy recommends that the Commission adopt an equity benefits target for the C*C, modeled on the approach taken in Illinois under the Climate and Equitable Jobs Act (CEJA). In Illinois, utilities' multi-year integrated grid plans are required to support efforts to deliver at least 40 percent of grid-modernization and clean-energy *benefits* to "Equity Investment Eligible Communities" – communities characterized by high poverty, historic economic disinvestment, and disproportionate pollution and health burdens. The Illinois Commerce Commission has implemented this requirement by directing utilities to design portfolios, metrics, and reporting so that a minimum of 40 percent of measurable benefits from grid investments flow to these communities, while explicitly not mandating a fixed share of spending in any single geographic area.

In the same spirit, we recommend that Phase II of the C*C be designed so that at least 40 percent of the project's *benefits* accrue to EJ communities and high energy-burdened areas.

Additionally, recent analysis by Drs. Gabe Chan and Bhavin Pradhan documented racial and economic disparities in electric reliability and service quality in Xcel's Minnesota service territory, with neighborhoods that have higher proportions of people of color and lower incomes facing worse reliability outcomes, including longer-duration outages. To ensure C*C directly responds to the needs of those communities identified in the Chan and Pradhan study, Fresh Energy recommends including those areas in the equity benefits target.

For purposes of this project, "benefits" should be defined to include, at a minimum:

- Reliability and power-quality benefits (e.g., reductions in outage frequency and duration, improved voltage and power quality) on under-performing feeders serving EJ communities, high energy-burdened areas, and communities identified in the Chan and Pradhan study as being disproportionately affected by long-duration outages (the "designated areas").
- Economic development benefits, including contracts and subcontracts with diverse suppliers and community-based organizations, with a clear supplier-diversity target and transparent reporting on benefits in the designated areas.

- Host-site and community benefits, including lease payments and additional benefits negotiated with host sites (such as community outreach, workforce targets, or site-specific improvements) in the designated areas.
- Workforce and training benefits, including targeted training, pre-apprenticeship, and placement opportunities for residents of the designated areas, modeled on CEJA’s emphasis on building a pipeline of workers from communities most affected by historic under-investment.

As in Illinois, this 40-percent benefits target would not require a fixed share of spending in any particular location, but it would ensure that communities that have historically borne disproportionate burdens from the energy system receive a commensurate share of the benefits from this major grid investment.

Together with the specific MW siting, diverse supplier, and host-site targets described below, this 40% equity benefits target is intended to operate as an overarching “north star”: the siting, supplier diversity, and host-site provisions are tools to achieve at least a 40% share of total project benefits for the designated areas, even though the percentage targets for each individual benefit stream may differ.

Recommendation: Require Xcel and Sparkfund to design and implement Phase II of the C*C so that, to the greatest extent technically and economically feasible, at least 40% of total, measurable project benefits accrue to the designated areas. Benefits should be defined broadly to include reliability and power-quality improvements, economic development and supplier diversity, host-site payments and community benefits, workforce and training opportunities, and any net customer bill or arrearage reductions. If the 40% threshold is not achieved, the Company should be required to file an explanation and a compliance plan with additional steps to close the gap.³

Siting Targets to Address Reliability Disparities in Designated Areas

To ensure C*C directly responds the needs of EJ communities, Fresh Energy recommends an explicit EJ siting target focused on areas where reliability and equity concerns are most acute. Additionally, recent analysis by Drs. Gabe Chan and Bhavin Pradhan documented racial and economic disparities in electric reliability and service quality in Xcel’s Minnesota service territory, with neighborhoods that have higher proportions of people of color and lower incomes facing worse reliability outcomes, including longer-duration outages. To ensure C*C directly responds to the needs of those communities identified in the Chan and Pradhan study, Fresh Energy recommends including those areas in the siting target.

This target ensures that equity is not symbolic; it is directly tied to addressing documented reliability gaps for under-represented communities.

Recommendation: Where technically and operationally feasible, at least 40% of Phase II should operate as a local reliability and clean energy resource on, or directly supporting, under-performing distribution feeders that serve the designated areas.

³ Please note that this particular recommendation (40% of *benefits* to the designated communities) was developed after stakeholder consultations and thus was not specifically shared with stakeholders. However, we are interested in other stakeholders’ feedback regarding this recommendation.

If less than 40% is achieved, the Company should file an explanation and a compliance plan with additional steps to close the gap. Xcel should track reliability improvements in the designated areas and report those outcomes to the Commission.

Diverse-Supplier Set-Aside and Inclusive Procurement

Research summarized by Harvard Business Review and others shows that sourcing from diverse suppliers (businesses at least 51% owned and operated by people from underrepresented groups) expands innovation, strengthens supply chain resilience, opens access to new markets, and can improve brand trust and revenue for the purchasing entity. At the same time, spending with diverse suppliers has a documented multiplier effect: dollars paid to these firms are more likely to be reinvested locally, support additional jobs, and increase community wealth. Directing utility supply chain dollars toward diverse businesses therefore creates additional economic and wealth-building benefits beyond the immediate project.

Recommendations:

- Set a target that at least 25% of total Phase II spend is with certified diverse suppliers with transparent annual reporting.
- Require prime contractors to report and meet targets for subcontractor diversity, ensuring that diversity is embedded throughout the supply chain.
- Unbundle contracts so smaller businesses can realistically bid on discrete scopes of work.
- Pre-qualify a short list of diverse suppliers and provide:
 - An informational session to help them prepare competitive responses to RFPs.
 - Automatic invitations to bid on relevant RFPs.
- Include at least two external evaluators on RFP selection panels to provide independent oversight of equity goals.
- Pay diverse suppliers on project milestones throughout the project.

If the Company falls short of the 25% target, we recommend that it should file an annual compliance plan detailing additional steps to close the gap in subsequent solicitations.

Whether diverse suppliers benefit from the opportunities available through the C*C will depend largely on whether there is a clear pipeline of diverse firms that are aware of the C*C opportunities, prequalified to do the work, and meaningfully connected to Xcel, Sparkfund, and prime contractors.

As explained in the Harvard Business Review article, *“How Google Approaches Supplier Diversity,”* best practices for growing business with diverse suppliers do not involve spreading small contracts thinly across a large number of firms.⁴ Instead, leading practice is to identify a focused set of diverse

⁴ Dan Belz, Siofra Harnett, Jim Lowry, and Christine Young, Harvard Business Review, “How Google Approaches Supplier Diversity” October 28, 2022. <https://hbr.org/2022/10/how-google-approaches-supplier-diversity>. Please note, this article may be behind a paywall. If Commissioners and Staff cannot access it Fresh Energy can purchase Commissioners and Staff copies for review, if requested.

suppliers with relevant capabilities and then deliberately support them to scale through predictable demand, multi-year contracts, and targeted capacity-building.

Fresh Energy's view of success for supplier diversity in the C*C is to assist a cohort of diverse suppliers build the capacity, relationships, and track record needed to compete for larger utility contracts over time.

Recommendations:

- Identify diverse suppliers with relevant capabilities for C*C. Using Xcel and Sparkfund's own vendor records and external directories (e.g., state-certified diverse suppliers, minority- and women-owned business databases), identify diverse businesses with the capabilities necessary to execute the C*C program, including, but not limited to:
 - Electrical contracting and construction for distribution-connected projects;
 - Site preparation and civil work;
 - Engineering, integration and installation for storage; and
 - Community engagement and community-based organization partners in the designated areas.
- Prequalify a cohort of diverse suppliers capable of performing portions of the C*C work;
- Host at least two "meet-the-buyer" or match-making sessions in 2026 where the pre-qualified firms can connect with Xcel, Sparkfund, and prime contractors to better understand upcoming C*C RFPs and subcontracting opportunities; and
- Provide technical assistance (funded through the Training Fund (see recommendation below)) to help the pre-qualified firms meet utility safety, insurance, and performance requirements.
- Report annually on:
 - The number and names of diverse firms contacted, prequalified, and invited to bid on C*C work;
 - The number and percentage of contracts and subcontracts awarded to diverse businesses; and
 - Multi-year relationships that continue beyond initial C*C contracts (i.e., whether the project helped grow a small number of capable diverse suppliers into ongoing utility vendors).

Our view of success in terms of supplier diversity in the C*C is not just hitting a percentage target in the short term, but helping a cohort of diverse suppliers build the capacity, relationships, and track record needed to compete for larger utility contracts over time.

Training Fund for Diverse Businesses and Local Workers

With respect to diverse suppliers, a core challenge is not a lack of interest, but a "capability-opportunity loop": diverse suppliers often lack the scale and capabilities to meet large utility requirements, and they may not be able to build that scale or capability without actually winning contracts.

To operationalize the diverse-supplier targets and ensure that local workers and businesses can successfully compete for C*C-related work, Fresh Energy recommends a modest but meaningful Training Fund that can be used to address structural barriers that make it difficult to compete with large, established businesses such as limited access to capital, bonding capacity, and prior large-utility-contract experience. Without intentional capacity-building, these firms are unlikely to win or successfully execute larger contracts, even when diversity targets are in place.

Similarly, realizing the equity and workforce benefits of C*C requires a pipeline of trained local workers who are ready to step into roles across installation, operations, maintenance, and project management. A training fund helps ensure that workforce readiness keeps pace with the scale and complexity of the projects being deployed.

Recommendation: Dedicate at least 1% of the total program budget to:

- Technical assistance for diverse businesses preparing to participate in RFPs (e.g., support with proposals, compliance, insurance/bonding, project management systems); and
- Training local workers, with an emphasis on residents of the designated areas, to qualify for jobs associated with C*C projects.

Host-Site Targets that Direct Payments to Designated Communities

The Petition highlights that site host payments can create new revenue streams for customers and may promote equitable access to distributed resources, particularly in underserved or EJ communities. Fresh Energy agrees and recommends making that intent concrete by setting a host-payment target.

In addition to financial lease payments, Xcel and Sparkfund should work directly with prospective site hosts to identify what benefits are most valuable to them and their communities. Through a structured engagement process prior to finalizing host agreements, the Company should solicit host site priorities such as community outreach and education related to the project, workforce and hiring targets for local residents, opportunities for local small or diverse businesses to participate, or other community-benefit commitments identified by the host. The Company should document these host-defined benefits, incorporate them into host agreements, and report on their implementation alongside host payment metrics.

Recommendations:

- At least 25% of cumulative host payments should go to site hosts that are either:
 - Located in the designated areas; and/or
 - Certified diverse businesses; and/or
 - Community-based organizations serving the designated areas.
- If less than 25% is achieved, the Company should file an explanation and a compliance plan with additional steps to close the gap.
- Require Xcel and Sparkfund to work with each host to determine the benefits the host would like to receive and include host benefits in each host-site agreement.

Transparency, Public Dashboard, and Reporting

To enable the Commission, stakeholders, and communities to track whether C*C is delivering on its equity objectives, Fresh Energy recommends robust public reporting and a user-friendly dashboard.

Recommendation: A live, public map of C*C sites showing:

- Location of projects, as appropriate given CEII considerations;
- Total number of MW and projects and MW and number of projects deployed in the designated areas;
- Total spend and percentage of spend with diverse suppliers; and
- Jobs created (with as much geographic and demographic detail as feasible).
- Total number and dollar amount of host payments and number and dollar amount of host payments going to site hosts in the designated areas.

Fresh Energy appreciates the opportunity to comment on this important matter. Thank you for the Commission's time and consideration of our comments.

Respectfully submitted,

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