

STATE OF MINNESOTA  
PUBLIC UTILITIES COMMISSION

IN THE MATTER OF XCEL ENERGY'S  
PETITION FOR APPROVAL OF A  
DISTRIBUTED CAPACITY  
PROCUREMENT (DCP) PROGRAM

DOCKET E002/M-25-378

*Comments Submitted By  
Renewable Energy Partners, Inc.*

INTRODUCTION

Renewable Energy Partners, Inc. (REP) appreciates Xcel Energy's proposal for a Distributed Capacity Procurement (DCP) Program and we support the general concept of the proposal. It is a useful starting point for an important and potentially innovative strategy for enhancing the efficiency and cost-effectiveness of Minnesota's energy system. REP also believes, however, that the proposal as filed does not fully meet the objectives laid out for Xcel in the PUC's April 21, 2025 Order Point 23 and that changes in the program's design and implementation are warranted and will strengthen the concept for the benefit of ratepayers.

**Xcel's Phase 2 DCP Proposal and Order Point 23**

As filed, Xcel's proposal does not fully meet the Commission's requirements for program design, implementation and operations. The proposal does not sufficiently address how it will "improve equity" other than some general commitments to the siting of batteries in Environmental Justice communities and the one-time benefit of participation in contracting and procurement with disadvantaged businesses. There are no specific targets for either of those goals.

The proposal includes the siting of Battery Energy Storage Systems (BESS) on the utility side of the meter with recharging entirely from the utility grid. As such it misses opportunities to leverage additional solar energy capacity or demonstrate how Phase 2 and its BESS implementation will support ongoing solar project development.

Xcel makes the case for its ownership of all of the assets in its proposal as "bulk system" resources. Xcel references "additional costs and risks" and specifically "safety risks" and "cybersecurity risks" of third party ownership without any detail or documentation. Xcel's limited proposal for DERMS implementation through 2028 will not address how the utility could achieve greater insight and control, through market and operational signals, into distributed and aggregated third-party energy resources.

Xcel's proposed cost and pricing for the projects, the details of which are redacted from the public, seems to REP to be too high. This is based on our procurement in recent months of two, 1.0 megawatt BESS with four hours of energy storage as part of the Resilient Minneapolis Project at a cost that appears to be more than 30% less than Xcel's proposed cost. With no interconnection with renewables or benefits for solar energy

deployment, we also question the company's request to recover its costs from the Renewable Energy Standard Rider. Our concern is that imposing these costs on all ratepayers through the RES Rider will contribute to the misconception that the state's transition to clean energy through increased wind and solar generation is the main driver of steep increases in utility rates.

We address these points further and suggest modifications to Xcel's proposal in the comments that follow.

**The proposal does not adequately address how it will "improve equity"**. This was one of the key requirements in PUC Order Point 23 from April 2025. Xcel says it will address equity by allowing MBE/WBE firms to participate in procurement and construction, and by "prioritizing" host sites for BESS in Environmental Justice communities with lease payments for host sites.

REP suggests that specific targets be set for contracting with MBE/WBE firms, including targets for specific items in the project budget. REP believes the target for construction and installation should be at least 25%.

In terms of siting in Environmental Justice, REP notes that the project's goal is to strategically site BESS for bulk system value, and focus Phase II on the "strategic deployment in target locations" at commercial-industrial sites in areas with load growth. REP believes that will be difficult to align with sites in EJ areas and creates an inherent contradiction with equity goals. It is also unlikely that lease payments for sites will be enough to have any significant impact on equity, and general power system quality from the use of BESS is only an indirect benefit that is enjoyed by all ratepayers.

The much more significant means to improve equity would be to site BESS behind-the-meter at EJ locations. This should focus both on saving energy costs for the host sites and strategically to create some resiliency hubs for EJ communities during an extended grid failure. Our comments on company ownership and DERMS demonstration will elaborate on this point.

**DERMS investment needs to be greater and focus on the most likely future use cases with DERs.** Implementing some modest DERMS demonstration for bulk power, FTM storage that is not integrated with renewables will not contribute significantly to the understanding of Xcel, stakeholders and policy makers on this key component of the future electrical infrastructure system. Pilot projects over the next four years should include DERMS for BTM assets and how the company can have greater operational control and visibility into these assets, especially when aggregated to respond to market and operational signals from the utility. Xcel appears to be moving this direction with its Aggregator Virtual Power Plant settlement in Colorado.

As proposed, this level of limited Grid DERMS (versus "Aggregator DERMS") implementation through 2028 does not sufficiently anticipate future use cases for greater integration of DERs and solar-plus-storage. Pilots in Phase II should be based on FERC

Rule 841 and anticipate FERC Rule 2222 in 2029. These new rules will set standards for smaller-scale, customer-owned DER that can be aggregated to participate in capacity and wholesale energy markets.

To the extent that the Commission decides to include ratepayer-owned, behind-the-meter DERs with BESS in this proposal, REP suggests that some of those solar-plus-storage sites be included in the DERMS demonstration. The goal would be to demonstrate how the company can achieve “coordinated control and dispatch” across both company-owned and third-party owned DER assets. This type of visibility for utilities at the “grid edge” is central to the promise of DERMS technology. This expanded scope will likely require a larger allocation of funds than is in the filed proposal.

**The proposal does not support compliance with the distributed solar standard or continued development of solar and solar-plus-storage resources,** Xcel’s BESS-only proposal does not demonstrate any interconnection to or recharging of the BESS from renewable resources. Statements in the proposal about support for future solar development are non-specific and without supporting evidence.

In fact, as proposed, the BESS-only approach may actually hinder future solar development. In Xcel’s 11/18/25 webinar on the DCP, we learned the company’s BESS will actually reduce feeder capacity for new DERs because the company treats the BESS as both a source of generation and demand. Current feeder lines with capacity constraints will actually become more constrained by the location of the front-of-meter BESS.

As filed, the proposal will merely site energy storage that is recharged at night from the grid, to be deployed during periods of peak demand. That will certainly have some system benefits and cost savings for Xcel. However this approach does not go far enough to also demonstrate the role of aggregated solar and solar-plus-storage assets to meet growing capacity requirements. It is also, to our knowledge, a different position that was discussed with stakeholders that led to the settlement regarding Xcel’s Integrated Resource Plan.

**Xcel’s proposal will not generate any information that allows for a comparison of solely company-owned assets versus a blend of assets that include ratepayer-owned systems.** Xcel has characterized this project as solely for its “primary bulk system benefits” with “full operational control” and as such all assets must be company-owned. Xcel’s filing cites “additional costs and risks” from third-party or customer ownership and specifically references “safety risks” and “cybersecurity risks” without any detail or substantiation. In response to a question at the 11.18 webinar, Xcel said it was “not sure” when third-party, behind-the-meter resources may become eligible for participation in the DCP.

In its filing, Xcel speaks to an interest in understanding how customers “may be incentivized to allow their utility partial control over their behind-the-meter DER.” REP

agrees and we believe this is too important a feature of the distributed capacity discussion to be left for a later date.

REP believes there should be a carve-out for customer-owned or third-party systems in order to get some actual comparative data on this issue. Additional third-party DER assets could also be included as a supplement to Xcel's deployment of BESS-only assets and help accelerate the path to 500 megawatts. Third-party systems should be required to be contracted at or below Xcel's costs for a similar level of distributed capacity, including the grid benefit savings Xcel has identified in its filing's discussion of distribution benefits on pages 37-38.

**The RES Rider may be an inappropriate mechanism for the company to recover the costs of this program.** Xcel is proposing to recover 100% of the costs for its Phase II, in a range from \$152 million to \$430 million from the Renewable Energy Standard (RES) Rider (Minn Statute 216B.1645, subd.1(2)). That statute authorizes cost recovery for investments that meet renewable energy objectives, and appears to limit cost recovery to projects that "provide storage facilities for renewable energy generation" or otherwise "advance research and understanding of how storage devices may improve renewable energy projects".

The RES Rider is separately delineated on utility bills, and includes automatic annual adjustments as a source of cost recovery. REP's concern is that use of the Rider for cost recovery in this case, which has minimal if any effects on renewable energy, will contribute to the misconception for ratepayers that renewable energy is the main driver of increasing utility costs.

## **CONCLUSION**

As stated earlier, REP supports the concept of Xcel's Phase 2 Distributed Capacity Program with modifications in program design and implementation as outlined in our comments. We believe the company should also provide additional and more detailed information to address the issues in the Commission's Order Point 23. On that basis, REP urges the Commission to approve the program.

REP also supports modifications to Xcel's proposed DERMS investment to increase the scope of the goals for DERMS and to include more use cases with customer-owned and behind-the-meter assets. We look forward to comment further on Xcel's proposed roadmap for DERMS integration as those opportunities are offered.

Respectfully submitted,

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