

**STATE OF MINNESOTA
PUBLIC UTILITIES COMMISSION**

Katie J. Sieben	Chair
Hwikwon Ham	Commissioner
Audrey C. Partridge	Commissioner
Joseph K. Sullivan	Commissioner
John A. Tuma	Commissioner

January 9, 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

On December 10, 2025 parties filed initial comments in response to Xcel's Capacity*Connect (C*C) proposal. In our initial comments, Fresh Energy expressed support for Xcel's phased approach and agreed with the Company's targeting of bulk system benefits in Phase II. We also provided several recommendations for embedding equity into the program.

In these reply comments, we focus on two issues raised by other parties in the docket. First, we expand on the program's distribution value, providing support for the Company's approach to capturing coincident distribution benefits in Phase II and recommending reporting requirements related to active distribution benefits.

Second, we briefly discuss behind-the-meter (BTM) distributed energy programs, an issue raised by several parties in the initial comment period. We propose the creation of a separate docket where Xcel can report findings from its AVPP program and work with stakeholders to develop a BTM proposal for Minnesota.

II. Distribution system value

Xcel discusses two broad categories of distribution benefits in its initial petition, coincident and active.¹ Fresh Energy understands these benefits to mean the following:

- **Coincident benefits** – Benefits to the distribution system that can be realized while operating the program to deliver bulk system value through MISO.
- **Active benefits** – Benefits requiring operation of the C*C assets for the primary purpose of delivering value to the distribution system.

Fresh Energy believes this is an important distinction. While coincident benefits could be realized while operating the program for bulk system benefit in Phase II, active benefits require the Company to operate the C*C assets specifically to deliver value to the distribution system, which may be in tension with MISO requirements.

As noted in its initial proposal, the Company will prioritize feeders with peaks that generally align with system peaks, allowing it to realize some coincident distribution benefits in Phase II.² Fresh Energy supports this approach.

The Company also states, “We expect operational experience with C*C will provide real-world data to help us validate the extent of these tradeoffs and the coincidence of different value streams.”³ We see this operational experience as a key outcome of Phase II and essential to ensuring the Company can actively manage these assets to deliver distribution system benefits in future phases. Below, we provide two recommendations to maximize the Company’s learning in Phase II.

Secondary siting criteria

The Company should consider secondary siting criteria that maximize its ability to learn from Phase II of the program while it focuses on delivering bulk system benefits. While siting decisions would be primarily driven by bulk system needs, these secondary criteria would be used to ensure the Company targets a range of feeders with characteristics that could allow the resources to be actively managed. This would allow the Company to collect valuable real-world data on the range of distribution benefits that may be available through the C*C program.

The Department of Commerce (“DOC”) discussed several distribution system benefits in its initial comments and proposed siting requirements to target these benefits.⁴ The Company should use these recommendations as a starting point for developing these secondary criteria. This includes siting assets at:

¹ MPUC Docket No. 25-378, Xcel Initial Petition, October 3, 2025, pg. 33

² *Ibid.* pg. 17

³ *Ibid.* pg. 33

⁴ MPUC Docket No. 25-378, Public Comments of the Minnesota Department of Commerce, December 10, 2025, pg. 12.

- Locations with identified distribution reliability issues.
- Locations where assets could defer planned transmission and distribution investments.
- Locations with high penetrations of DERs, grid congestion, and/or Daytime Minimum Load issues.

By siting at these locations while operating the assets for bulk system benefits, the Company can gather the data necessary to construct test cases that will allow it to better understand the extent to which active management could deliver distribution system benefits. These test cases should be reported in the Company's Interim Program Assessment. If the Company is unable to identify locations where it can study distribution benefits while delivering bulk system value, it should report this in the Interim Program Assessment.

We believe this approach captures significant value in the near term through the bulk system and coincident benefits and supports the creation of a framework to capture active distribution system benefits in the future. We encourage stakeholders to provide feedback on this approach in supplemental comments.

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 the data collected from these assets to construct theoretical test cases that demonstrate how these resources would have performed if dispatched for distribution benefits. These test cases should be reported in the Interim Program Assessment.

Interim Program Assessment

We recommend the Company use the Interim Program Assessment as a venue for reporting its findings on actively managing the C*C assets for distribution system value.

In their initial comments, Cooperative Energy Futures/ELPC/Institute for Local Self-Reliance/Solar United Neighbors/Vote Solar, recommended the Company be required to document how DERMS dispatch decisions reflect tradeoffs between bulk and distribution needs and report on the degree to which concurrent benefit streams were realized.⁵ We support both recommendations and believe these should be included as part of the Interim Program Assessment. Specifically, we believe this reporting should include analysis of the

⁵ MPUC Docket No. 25-378, Initial Comments of Cooperative Energy Futures, et al. December 10, 2025, pp 37-38.

alignment between dispatch for MISO requirements and theoretical dispatch for distribution system benefits, to the extent feasible. We understand this may not be analytically feasible in every case, but we believe there may be instances in which MISO dispatch aligns with distribution system needs more closely than anticipated. Identifying this information in Phase II will allow the C*C program to more effectively capture value on both the bulk and distribution systems in subsequent phases.

We also recommend the Interim Program Assessment includes detailed discussion on the Company's experience siting C*C assets in Phase II. We recognize siting may pose challenges that the Company and stakeholders are not anticipating and the Company will need to make decisions that enable it to implement the program in a reasonable timeframe. Reporting on these challenges will allow Stakeholder and the Commission to better understand the barriers the Company faces and create opportunities for further collaboration.

Recommendation: The Company should be required to report the following in its Interim Program Assessment:

- Discussion of how DERMS dispatch decisions reflect tradeoffs between bulk and distribution system benefits.
- The extent to which concurrent benefit streams were realized in Phase II.
- Analysis of the alignment between MISO dispatch requirements and dispatch for distribution system value, understanding the Company is not expecting to dispatch these assets for distribution system value in Phase II.
- Detailed discussion of its experience siting C*C assets.

III. Behind-the-Meter programs

Several commenters referenced Xcel Colorado's Aggregated Virtual Power Plant (AVPP) program as a comparison for the C*C program. Through this program, the utility will connect 125 MW of residential battery storage to its grid.⁶ Fresh Energy is interested in BTM programs, including Xcel Colorado's AVPP program, and shares other parties' excitement about their potential. However, we note that this is a different application of distributed energy resources than what Xcel is proposing in the C*C program and thus believe the conversation around BTM programs would be best handled in a separate docket. While both types of programs rely on the aggregation of distributed resources, they face fundamentally different siting and operational challenges. Including BTM resources in C*C or requiring the Company to develop a BTM proposal in the C*C docket would create unnecessary confusion and complexity. A separate docket would allow the Company to convene stakeholder discussions and share findings from the AVPP program with the intention of developing a BTM program in Minnesota. We believe this would result in a more focused and productive conversation in both dockets.

⁶ *Ibid.* Appendix – Distributed (Virtual) Power Plant Program Examples.

Recommendation: The Commission could open a separate docket for the purpose of developing a behind-the-meter virtual power plant program. If the Commission chooses to do this, Xcel should be required to submit compliance filings reporting on the progress of the Colorado AVPP program and its relevance to Minnesota.

Fresh Energy is excited about the potential of the Capacity*Connect program and views it as a significant step toward a decarbonized and more resilient electric grid. We continue to support approval of Xcel's petition with minor modifications as discussed here and in our initial comments. We may provide additional recommendations as appropriate in the supplemental comment period.

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,

/s/ Will Mulhern
Fresh Energy
408 St. Peter Street, Suite
350
St. Paul, MN 55102
Mulhern@fresh-energy.org