May 8, 2025

Will Seuffert
Executive Secretary
Minnesota Public Utilities Commission
121 7th Place East, Suite 350
St. Paul, MN 55101

Docket No. E002/CI-24-318: In the Matter of a Commission Inquiry into a Framework for Proactive Distribution Grid Upgrades and Cost Allocation for Xcel Energy

Executive Secretary Seuffert,

The Minnesota Solar Energy Industries Association ("MnSEIA") hereby submits its Comments to the above-referenced docket.

Respectfully submitted,

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In the Matter of a Commission Inquiry into a Framework for Proactive Distribution Grid Upgrades and Cost Allocation for Xcel Energy

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COMMENTS OF THE MINNESOTA SOLAR ENERGY INDUSTRIES ASSOCIATION

MnSEIA respectfully submits the following Comments in response to the Minnesota Public Utilities Commission's *Notice of Comment Period*, issued April 7, 2025, in the above-referenced docket concerning the potential establishment of a framework for proactive distribution grid upgrades in Xcel Energy's service territory.

Background

MnSEIA is a nonprofit association of over 170 members that represents Minnesota's solar and storage industry, whose membership ranges from behind-the-meter rooftop solar installers to non-profit organizations, manufacturers, community solar developers, battery storage developers, and many others, all of whom collectively employ over 5,000 Minnesotans. The installers and developers we represent primarily interconnect to the distribution grid, and the Proactive Grid Upgrade Framework will impact their work.

Throughout the workgroup process, MnSEIA worked closely with the Coalition for Community Solar Access ("CCSA"), Clean Energy Economy Minnesota ("CEEM"), New Leaf Energy and RWE, and lead participants. We individually and collectively contributed to the development of the Draft Proactive Distribution Grid Upgrade Framework ("Draft Framework") included in the Commission's Notice of Comment Period.

MnSEIA thanks staff for the opportunity to engage in well planned, and productive workgroup meetings. The process identified core framework foundations, and also many issues that will require further refinement and development. A second phase is necessary to ensure that any adopted framework considers and incorporates proactive planning components applicable to both behind-the-meter and front-of-the-meter DGs, including advanced cost-allocation methodologies and flexible interconnection. We look forward to participating in the Phase 2 and to further cross industry collaboration enabling Minnesota to achieve its clean energy goals in a cost effective, expedient, and equitable manner.

MnSEIA's Comments

I. Should the Commission establish a framework for Proactive Distribution Grid Upgrades for Xcel Energy?

MnSEIA supports the establishment of the Phase 1 Draft Framework as an initial step in the right direction towards resolving the cost allocation issues that act as barriers to equitable DG deployment. The standard practice of upgrading the electric grid reactively in response to a triggering "cost causing" interconnection application results in a piecemeal approach to infrastructure modernization that is inefficient. Further, cost-causation results in a triggering project that fully pays for an upgrade subsidizing additional hosting capacity and added capacity benefits that will benefit all queued interconnections and distribution customers at the location served by the upgrade.

While the Phase 1 Draft Framework is a step in the right direction, much work remains to be completed, including incorporating a process for identifying proactive infrastructure upgrades that enable hosting capacity for front-of-the-meter distributed generation ("DG"). In addition, further revisions are needed with respect to cost allocation, cost control, flexible interconnection, equity, prioritization methodology, and a developing robust stakeholder engagement process. Our comments address the need for further revisions and improvements to the Draft Framework, and the consideration of aspects specific to front-of-the-meter DG in Phase 2.

II. Which requirements from the Draft Proactive Distribution Upgrade Framework, as outlined in Attachment A, should the Commission adopt?

Below is a complete list of all requirements MnSEIA supports for adoption. Two instances in which we propose modifications are highlighted in red text. A redline of the proposed changed language is contained in our comments below.

Table 1: Recommendations on establishing a Proactive Distribution Grid Upgrade Framework

	Recommended Decision Options	Notes
A. Introduction	A.2, A.3, A.4, A.6, A.8, A.10, A.12, A.13, A.15.	
B. Definitions	B.2, B.3, B.4, B.5, B.6, B.7, B.9, B.10, B.11, B.12, B.13, B.14, B.16.	
C. Process	C.1, C.2, C.3, C.4, C.6, C.8, C.11, C.11.a, C.11.b, C.11.c, C.11.d, C.11.e, C.11.f.	
D. Baseline Information	D.1, D.2, D.3, D.4, D.5.	Support all items in Sec. D
E. Forecast	E.1, E.2, E.3, E.4, E.5, E.6.	Support all items in Sec. E
F. Potential sites	MnSEIA Modified F.1, F.2, F.3, F.4, F.5, F.6, F.6.a, F.6.b, F.6.c, F.6.d, F.6.e, F.6.f, F.6.g, F.6.h, F.6.i, F.6.j, F.7, F.8.	Minor suggested modification.
G. Evaluation Criteria.	G.1, G.2, MnSEIA Modified G.3, G.4, G.5, G.6, G.7, G.8, G.9, G.10, G.11, G.12, G.13, G.14, G.14.a, G.14.b, G.14.c, G.16	Suggested modification
H. Non-Location Specific	H.1, H.2.	Support both items in Sec H.
J. Cost Recovery	J.1, J.2, J.3, J.4, J.5, J.6, J.10, J.11, J.12, J.14, J.15, J.16, J.18.	
K. Cost Allocation	K.2, K.3, K.4., K.5, K.6., K.20, K.22, K.23, K.24, K.25, K.26.	
L. Capacity Reservation	L.3, L.3.a, L.3.b, L.3.c, L.6, L.6.a, L.6.b, L.6.c.	Support proposal specific capacity reservations.
M. Reporting	M.1, M.2, M.4, M.5, M.7, M.8, M.9, M.10, M.11, M.12.	

Table 2: Recommendations for pursuing Phase 2 of the Proactive Grid Upgrade Framework

Phase 2 Proposal	Recommended Decision Options	Notes
Timing	1	
Topics	3, 3.a, 3.b, 3.c, 4, 5, 6, 7, 8, and Proposed Additional Topic.	MnSEIA proposes Implementation Of A Cost Envelope To Prevent Cost Overruns.

III. Framework Comments

Stakeholder Engagement Process

The process to determine the location of upgrades will have a critical impact on the success of equitable distribution under this framework. To enable the equitable distribution of usable hosting capacity across a utilities territory, while mitigating the risk of stranded assets, MnSEIA supports heightened cross-industry transparency and collaboration in the process for planning location upgrades. DG developer and owner input is a critical component of implementation, to ensure targeted and effective results. A stakeholder workgroup is necessary ensuring that investments are scoped and focused on locations and in timeframes that support the development of solar and storage capacity to meet Minnesota's long term energy goals. This group should facilitate stakeholder input on demand assessment for upgrades and prioritization of upgrades.

Of importance is stakeholder feedback on whether the cost of a proposed upgrade is financable for DG Installers and Developers who may seek interconnection at its location. The Draft Framework leaves the cost per unit of capacity gained open ended because the potential for what enables hosting capacity that supports development could vary by timeframe and size of project. However, the cost of interconnection is a key factor in determining whether DG will move forward with interconnection and hosting capacity that is too expensive will be underutilized. Workgroup feedback on whether a project is financable will be most valuable at the planning stage, prior to Xcel's Proactive Upgrade Proposals to the Commission.

For these reasons, we respectfully request the Commission to select Decision Options C.11, and C.11.a - C.11.f, requiring Xcel to establish a distributed generation stakeholder

engagement group (DGEG) to coordinate stakeholder engagement with the utility of proactive long-term system planning.

Timing of Stakeholder Engagement Process

Given the essential role the workgroup will play, we respectfully request that the Commission approve and direct the creation of a stakeholder working group in DO C.11 in Phase 1, so that establishment and development of group operating procedures may be addressed while preparing for Phase 2.

Potential sites

We offer a modified DO to F.1, which clarified that Xcel will include a discussion of feedback received from stakeholders through the workgroup formed in DO C.11.

Modified MnSEIA F.1	The criteria used to identify potential sites for proactive distribution upgrades, including a discussion of feedback received from stakeholders under Section ~~C.8.~~ C.11 - Stakeholder Outreach.

Proactive Upgrade Proposal Evaluation Criteria

DG Customers of all sizes are, to varying degrees, cost sensitive when determining whether or not to move forward with interconnection. Proactive upgrades may pose long term financial risk to ratepayers if an upgrade is approved and the DG hosting capacity it enables is too costly for use by DG interconnection customers. If DG hosting capacity remains unutilized, ratepayers will pay for system upgrades that are not offset by repayment from DG Interconnection Customers.

For these reasons, we propose a modification to DO G.3 which would require Xcel to provide, as part of a proactive upgrade filing, a narrative discussion informed by historical data and developer input on the maximum cost per unit of capacity gained, above which cost of interconnection would no longer be financially viable. The Commission may then use this information to prioritize and evaluate the cost effectiveness of a given proposal in light of the

likelihood it will be paid for by DG Customers who will choose to interconnect when and where it is financially viable to do so.

MnSEIA Modified G.3	The cost per unit of capacity gained, and a discussion informed by historical data and developer input on the maximum cost per unit of capacity gained, at or below which Interconnecting customers are likely to agreed to pay to interconnect, and above which interconnection would become unviable.

Equitable Cost Allocation Between Distribution Customers Adding New Load And DG Interconnection Customers.

MnSEIA supports the concept of equitably allocating costs between new load and new DG when each type of customer is forecasted to grow and thus both benefit from a given proactive upgrade proposal.

In addition to allocating any load growth benefits, we support allocating Xcel Energy's 20% Technical Planning Standard ("TPS") limitation on hosting capacity to distribution customers (load customers). The purpose of the TPS is to provide a reliability buffer for distribution customers by limiting hosting capacity to 80% of a feeder's rating. Thus, we believe that the costs for implementing the 20% reliability reserve should clearly be allocated as a benefit to distribution customers and not DG interconnection customers. The costs associated with the TPS reserve do not provide a benefit to DG customers, unless DG customers are permitted to utilize the capacity in the reserve to interconnect.

The Phase 1 proposal before the Commission does not address allocation of the TPS. Therefore, in our comments below, we respectfully request the Commission direct this issue be addressed in Phase 2 of the workgroup.

Equitable Cost Allocation Between DG Interconnecting Customers.

Regarding equitable cost allocating amongst all DG Customers, the pro-rata cost share fee for interconnection must be affordable and financeable for individual interconnecting customers to enable and encourage interconnection. Put differently, a pro-rata cost-share fee

structure that makes it prohibitively expensive for projects of a certain customer class to interconnect would inequitably restrict access to hosting capacity for that customer class.

MnSEIA installers strongly support waiving cost-share fees for <40 kw systems in the priority queue and we respectfully request the Commission direct such a waiver. Generally, small under 40kW DG has significantly less financial capacity to absorb additional fees for infrastructure upgrades. Moreover, small DG interconnections are often required to pay thousands of dollars to upgrade distribution equipment located at or near the point of interconnection.

Regarding the Small-DG cost share fund, its purpose is to socialise the cost of interconnection costs at the secondary level of the grid, including requirements for transformer upgrades, reconducting, line extensions, supplemental review fees, and other types of local upgrades necessary for small DG interconnection. If required for <40kW interconnections, cost-share fees for large proactive upgrades would be additive to these upgrade costs, negatively impacting the financial viability of interconnection. Pro-rata cost-share fees for one or two large Proactive upgrades could use up the majority of the small-cost-share funds to pay for large upgrades in a few locations. Installers want to ensure small cost share funds remain readily available for all small-cost-share customers across Xcel's entire service territory who will continue to need to upgrade secondary equipment for interconnection.

We respectfully request that the Commission wave cost-share fees for Small <40kW DG in the priority queue. If the Commission determines that it is necessary for Small DG Customers to pay a cost-share fee for interconnection in a region where a Proactive Upgrade has occurred, installers would prefer a small one-time flat cost-share fee of $200 for each <40kW interconnection application. If the cost share fee was capped at a low amount, it may be possible to socialize these flat fees with the Small DG Cost share funding, so long as this could be done without over depleting available funds and raising fees already charged to <40 kW interconnections.

Capacity Reservation

MnSEIA supports the option for a capacity reservation when and where one is needed, based on existing customers at the location of the upgrade. An upgrade located in an area that serves large commercial and industrial customers with few residential customers would likely not benefit from a capacity reservation to serve the under 40kW small DG market. Conversely, a capacity reservation for large industrial DG interconnections may fill a need at this same location. Matching a capacity reservation to the makeup of existing customers at the location at which it is proposed will ensure capacity utilization and mitigate waste. An unused capacity reservation for DG interconnections may cause unnecessary restrictions on hosting capacity for local DG interconnections, while not providing benefits, and result in stranded assets paid for by ratepayers.

IV. Phase 2.

- **Forecasting For Front-Of-The-Meter Generation To Identify Proactive Upgrades.**

While the proposed framework meets the Commission's requirements for load and behind-the-meter DG, it does not meet the proactive upgrade requirements for front-of-meter DGs, including the DSES and CSG projects. Supporting the interconnection of front-of-the-meter DG is essential to the proactive planning framework and process.

- **Advanced Cost Allocation And Cost Recovery Methodologies.**

The DG industry agrees that any threshold for upgrade fees should be based on a facility's export capacity. The Phase 1 framework was unable to fully address this topic, and we respectfully request the further consideration of this issue in Phase 2.

- **Additional Discussion On Capacity Reservations**

MnSEIA respectfully requests that the Commission direct Phase 2 of the workgroup address capacity reservations for non-residential behind-the-meter DG (including small commercial and C & I interconnections).

- **The Impact Of The Technical Planning Standard.**

MnSEIA respectfully requests that the Commission direct stakeholders to address how the TPS should be allocated as a component of this framework in Phase 2. We believe that the reliability concerns Xcel uses to justify the 20% limitation on hosting capacity could be resolved with flexible interconnection policies that improve utilization of existing capacity. As stated above, because the TPS is a restriction on available capacity for DG interconnection, we support allocating the portion of an upgrade reserved for the TPS to distribution grid customers.

- **Proposed Additional Topic - Implementation Of A Cost Envelope To Prevent Cost Overruns.**

To ensure cost certainty and address variability that may occur between initial construction estimates and as-built costs, Massachusetts has had a ±25%cost envelope in place since 2012. New York is similarly considering a cost envelope. MnSEIA proposes that Minnesota would benefit from determining how to allocate as-built costs when they are over 25% of the utility's initial estimate for the cost of an upgrade. We respectfully request that the Commission direct stakeholders address establishing a ±25% envelope on costs in Phase 2.

V. Conclusion

MnSEIA appreciates the opportunity to comment on the Draft Framework, and the efforts of the Workgroup to develop it. We recommend the Commission establish the Framework, and initiate work to continue development and refinement of it in a Phase 2 process. We look forward to participating in a Phase 2 Workgroup and supporting successful framework implementation.

Respectfully submitted,

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