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June 2, 2025

VIA ELECTRONIC FILING

Will Seuffert, Executive Secretary
Minnesota Public Utilities Commission
121 7th Place East, Suite 350
St. Paul, MN 55101-2147

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

Dear Mr. Seuffert,

Clean Energy Economy Minnesota (CEEM) respectfully submits these reply comments for PUC Docket Number 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.

Our mission at CEEM is to provide educational leadership, collaboration, and policy analysis that accelerates clean energy market growth and smart energy policies. We work to support and expand clean energy jobs and the economic opportunities provided by clean, reliable, and affordable energy on behalf of all Minnesotans. CEEM has served on the working group for the Proactive Distributed Grid Upgrades throughout the process.

Please feel free to contact us with any questions that you may have. We hope that the reply comments below provide you with useful insights.

Regards,

George Damian
Director of Government Affairs
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State of Minnesota
Before the
Public Utilities Commission

Katie Sieben	Chair
Joseph K. Sullivan	Vice-Chair
Hwikwon Ham	Commissioner
Audrey Partridge	Commissioner
John Tuma	Commissioner

In the Matter of a Commission Inquiry into a Framework for Proactive Distribution Grid Upgrades and Cost Allocation for Xcel Energy	CLEAN ENERGY ECONOMY MINNESOTA'S REPLY COMMENTS

PUC Docket Number: E002/CI-24-318

INTRODUCTION

Clean Energy Economy Minnesota

Clean Energy Economy Minnesota ("CEEM") is an industry-led, nonpartisan, nonprofit organization representing the business voice of energy efficiency and clean energy in Minnesota. Our work is focused on educating Minnesotans about the economic benefits of transitioning to a clean energy economy. Our business membership comprises over 70 clean energy companies ranging from start-up businesses to Fortune 100 and 500 corporations that employ tens of thousands of Minnesotans across the state. CEEM and our members are committed to delivering a reliable, affordable, and clean energy future where all Minnesota businesses and citizens will thrive.

CEEM respectfully submits these Reply Comments in response to the Minnesota Public Utilities Commission's (the "Commission") April 7, 2025, Notice of Comment Period and the Commission's May 16, 2025, Notice of Extended Reply Comment Period in the above referenced docket concerning the potential establishment of a framework for proactive distribution grid upgrades in Xcel Energy's service territory.

COMMENTS

CEEM, a participant in the Proactive Distribution Grid Upgrade (PDGU) stakeholder process, commends the Commission staff for its diligence in convening a series of productive meetings and shepherding stakeholder input to build a Phase 1 draft framework. The building, however, is incomplete. While the initial process provides a semblance of a framework, the initial steps during the Phase 1 process also revealed additional issues for further exploration and discussion, ideally in a Phase 2 process.

Given their potential adverse effect on the cost-effective and equitable deployment of Distributed Energy Resources (DERs) to meet Minnesota's clean energy requirements, CEEM has concerns about certain provisions of the draft framework. That said, while reserving the right to seek revisions to various components of the framework, CEEM supports stakeholder recommendations to establish the draft framework in conjunction with a Phase 2 Process.[1] CEEM supports those recommendations calling for the continued development and refinement of the framework in Phase 2.

CEEM, from a business perspective, can understand Xcel Energy's assertion that it needs certain elements, such as earnings on investments for the framework to be constructive.[2] But, from a broader vantage point, in keeping with Minnesota's renewable energy laws,[3] CEEM offers here several comments to highlight opportunities

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[1] See, for example, *In the Matter of a Commission Inquiry into a Framework for Proactive Distribution Grid Upgrades and Cost Allocation for Xcel Energy,* Initial Comments, Minnesota Department of Commerce, May 8, 2025, Docket No. E002/CI-24-318 [hereinafter, "DOC"], at 3; *In the Matter of a Commission Inquiry into a Framework for Proactive Distribution Grid Upgrades and Cost Allocation for Xcel Energy,* Initial Comments, Minnesota Solar Energy Industry Association, May 8, 2025, Docket No. E002/CI-24-318 [hereinafter, "MnSEIA"], at 10; *In the Matter of a Commission Inquiry into a Framework for Proactive Distribution Grid Upgrades and Cost Allocation for Xcel Energy,* Initial Comments, Coalition for Community Solar Access, May 8, 2025, Docket No. E002/CI-24-318 [hereinafter, "CCSA"], at 2.

[2] *In the Matter of a Commission Inquiry into a Framework for Proactive Distribution Grid Upgrades and Cost Allocation for Xcel Energy*, Initial Comments, Xcel Energy, May 8, 2025, Docket No. E002/CI-24-318 {hereinafter, "Xcel"], at 2 (stating the framework "needs to:• Be flexible and clear, and avoid being overly prescriptive; • Provide utilities a clear path to recover costs for approved projects and the ability to earn on its investments, • Follow established cost recovery concepts and mechanisms, and • Serve to streamline the review and approval of proactive distribution grid upgrades"); see, also, at 3 -4 (raising issues involving cost recovery and return on its investments).

[3] Minn. Stat. §216B.2425, subd. 9 (2024) (stating required information to be filed with Xcel Energy's integrated distribution plan, including with respect to its requirements in accordance with the Distributed Solar Energy Standard); See, Minn. Stat. §216B.1691, Subd. 2h (2024) (setting forth requirements in addition to those in the balance of the Renewable Energy Objectives law, including the Carbon Free Standard; See, also, Minn. Stat. §216B.1691, Subd. 2g (2024) (defining the Carbon-Free Standard and performance requirements [hereinafter, "Carbon-Free Standard"]).

by which to use the proactive framework to attain the renewable energy requirements set forth in Minnesota law.

Process

CEEM appreciates the opportunity it had to engage with Xcel Energy and other stakeholders during the Phase 1 PDGU Workgroup. Given the urgency with which utilities must act to attain the requirements set forth in the Carbon-Free Standard, it is imperative that the utilities continue to engage in a constructive manner with stakeholders.

Collectively, we are operating under a new energy paradigm. Old business patterns and practices must continue to adapt to this new reality. Although Xcel Energy raises concerns about an element of "process"[4], the Distributed Generation Engagement Group (DGEG), it is imperative that there be a transparent, robust exploration of fundamental issues confronting a utility and the vast available opportunities and methods by which to maximize the penetration of Distributed Energy Resources (DERs) so as to attain the renewable energy requirements set forth in Minnesota law.

Process is indeed one of several framework components needing some additional work. One commenter captures the essence of the issue and a corresponding action request for the Commission:

> [E]ncourage requirements that utilities engage and coordinate with distributed energy resource providers and other industry representatives and advocates throughout the proactive long-term system planning process, as contemplated by the establishment of a Distributed Generation Stakeholder Engagement Group ("DGEG"). Industry representation during the planning process provides necessary additional perspectives, in addition to those from utilities, to ensure that planned proactive grid infrastructure upgrades will meaningfully contribute to state goals. The DGEG should be established during Phase 1 to formalize the group's organizational structure, functions, and processes. Laying this administrative foundation during Phase 1 would allow the DGEG to immediately start on its substantive and technical workstreams during Phase 2

[4] Xcel, at 25.

without delay.[5]

To achieve equitable distribution of usable hosting capacity throughout a utility's service territory, along with the mitigation of risks associated with potentially stranded assents, a greater level of cross-industry transparency and collaboration is required to plan location upgrades. Especially given Minnesota's Carbon-Free Standard energy requirements with short implementation time lines, it is imperative that location upgrades timely facilitate the development of solar and storage capacity and be feasible for distributed generation installers and developers. For these and other reasons, a stakeholder engagement process should be established.

At this time, CEEM seeks to underscore the following decision options and respectfully requests the Commission to select Decision Options C.11 and C.11.a – C.11.f. Additionally, CEEM respectfully requests the Commission to add a provision to allow some number of clean energy interest groups, in addition to developers, to participate in the DGEG.

Cost Allocation

CEEM understands it may be challenging for any utility, including Xcel Energy[6], to step out of its comfort zone with respect to how it builds assets and earns revenue on those investments. But traditional rate case proceedings are inappropriate at this time and in this situation. The PDGU framework process, in which many stakeholders have been engaged, is intended to break from the old paradigm: the reactive model. Given the opportunities available with the proactive framework, now is the time to break from the old paradigm.

With only 15 years remaining in which to attain the requirements of the Carbon-Free Standard,[7] time is of the essence. A variety of Distributed Generation (DG) must have access to the grid in short order. Thus, any cost allocation methodology should encourage, rather than discourage, DG. As one commenter put it: "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."[8]

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[5] CCSA, at 4-5.

[6] Xcel, at 8-9.

[7] Minn. Stat. § 216B.1691, Subd. 2g. (2024) (setting forth year and percentage requirements in the standard with full attainment by 2040).

[8] MnSEIA, at 7-8.

CEEM respectfully requests the Commission waive cost-share fees for <40 kW systems in the priority queue and employ a cost-sharing formula that facilitates the rapid deployment of DERs.

Capacity Reservation

Xcel calls for capacity reservation only for Behind-The-Meter DERs.[9] This approach is misplaced as Front-of-Meter DERs should also have equitable access. One size does not fit all situations when it comes to capacity reservation. Capacity reservation is a complex matter that requires further discussion. CEEM agrees with the recommendation of the Department of Commerce and Attorney General - Residential Utilities Division: Move Capacity Reservation from the Framework to Phase 2 of the framework construction process.[10]

Phase 2 Proposal

CEEM respectfully requests the Commission to:

Ensure the proactive upgrade framework explicitly includes and prioritizes FTM DERs, including Distributed Solar Energy Standard and Community Solar Garden projects;

Call for further consideration of advanced cost allocation and cost recovery methods by which to provide equitable allocations based on the multiple beneficiaries associated with proactive upgrades;

Establish the Distributed Generation Engagement Group (DGEG) during Phase 1;

Direct Phase 2 of the PDGU to address capacity reservation matters;

Direct stakeholders to address how the Technical Planning Standard should be allocated;

Direct stakeholders to address establishing a ± 12% envelope on costs; and

Maintain balanced and conditional prudency provisions to protect ratepayer interests.

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[9] Xcel, at 4, 5, 8.

[10] DOC, at 13 and *In the Matter of a Commission Inquiry into a Framework for Proactive Distribution Grid Upgrades and Cost Allocation for Xcel Energy,* Initial Comments, Office of the Attorney General - Residential Utilities Division, May 8, 2025, Docket No. E002/CI-24-318 [hereinafter, "AG RUD"], at 23.

CONCLUSION

CEEM appreciates the opportunity to submit these Reply Comments regarding the PDGU Framework. CEEM recommends the Commission establish the Framework, with the adoption of the point-by-point recommendations offered in these comments, and initiate a Phase 2 Workgroup to complete a Proactive Framework to effectively, equitably, and timely attain the renewable energy requirements for Minnesotans.