STATE OF MINNESOTA
BEFORE THE PUBLIC UTILITIES COMMISSION

Katie J. Sieben	Chair
Joseph K. Sullivan	Vice-Chair
Audrey Partridge	Commissioner
Hwikwon Ham	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	MPUC DOCKET NO. E002/CI-24-318

REPLY COMMENTS OF ENVIRONMENTAL LAW & POLICY CENTER, VOTE SOLAR, AND COOPERATIVE ENERGY FUTURES

I. INTRODUCTION

In their initial comments, parties generally agreed that the Commission should adopt the Draft Proactive Distribution Upgrade Framework (Draft Framework), as outlined in Attachment A to the Commission's Notice of Comment Period. Likewise, parties largely found that the Draft Framework addresses the topics identified in the Commission's September 16, 2024 Order on Xcel's Integrated Distribution Plan (IDP) (Docket No. E002/M-23-452), although some parties highlighted that it does not address front-of-the-meter distributed energy resources (DERs), which the work group postponed for further consideration in Phase 2.

After reviewing other parties' comments, the Environmental Law & Policy Center, Vote Solar, and Cooperative Energy Futures (together, ELPC/VS/CEF) continue to support the Commission's adoption of the Draft Framework, specifically the provisions identified in Attachment 1 to our initial comments. As discussed below, we now support (or do not oppose)

some limited revisions to certain provisions based on other parties' comments. In addition, the ELPC/VS/CEF continue to recommend the Commission proceed with Phase 2 as described in Attachment B to the Commission's Notice and discussed in our initial comments and these reply comments. As explained below, we also support the inclusion of additional topics suggested by other parties in Phase 2.

II. RESPONSES TO OTHER PARTIES' INITIAL COMMENTS

ELPC/VS/CEF refrain from repeating our initial comments here and instead focus on responding to specific comments from other parties and clarifying our positions on the Draft Framework and Phase 2.

A. Draft Framework Provisions

Sections B.2, C.9, E.1, K.2, and M.3. ELPC/VS/CEF do not oppose Xcel's proposed language clarifying B.2, C.9, E.1, and K.2,[1] or the Office of the Attorney General's (OAG) modification clarifying M.3,[2] all of which we continue to support.

[1] Xcel Initial Comments, Att. 3 at 1, 2, 3, 4, respectively:

- Proposed B.2: "Cost-Share Customer: a customer who applies to interconnect either load or generation at a location served by a Proactive Distribution Upgrade with an open cost-share window and is responsible for paying a Cost-Share Fee, unless otherwise specified in approved tariffs."
- Proposed C.9: "The Proactive Upgrade Framework is subject to refinement through the Proactive Grid Upgrade Workgroup. The Proactive Grid Upgrade Workgroup shall be convened by Commission Staff and shall meet as necessary to refine and improve the Proactive Upgrade Framework. This shall include Phase 2 of the framework development in 2025 and 2026 to ~~un~~resolve~~d~~ issues left out of Phase 1."
- Proposed E.1: "[Utility] shall provide a base case forecast, as well as sensitivities that include higher and lower adoption of DERs and ~~electrification~~ customer loads than expected in the base case. [Utility] shall recommend which forecast should be adopted and explain why it thinks that forecast should be the case toward which to plan and why."
- Proposed K.2: "A $/kWac fee shall be charged to any Cost-Share Customers and the dollars returned to ratepayers. The fee shall be calculated at an aggregated, programmatic level for all approved proactive upgrade investments. The fee calculation shall be the total cost of all approved Proactive Distribution Upgrades divided by the total kWac of capacity added by all approved Proactive Distribution Upgrades. This fee shall determine the pro rata cost for any Cost-Share Customer, load or generation, and ~~pay down the assets until~~ which will be applied as an offset to the total revenue requirements of all Proactive Distribution Upgrade projects with an open cost share window ~~has been paid off~~."

[2] OAG Initial Comments at 23 (Proposed M.3: "For projects where the cost-share window has closed, the utility may discontinue updates in the project-by-project reporting points under ~~M.4 and~~ M.5 and M.6."). The Department of Commerce made the same suggestion in their Initial Comments, Att. A at 8.

Section E.4. ELPC/VS/CEF do not agree with Xcel's proposed modification and continue to support E.4 as written. Xcel would modify E.4 as follows: "In addition to the existing IDP load and DER forecast requirements, [Utility] shall submit its forecast results for generation and peak loads at the feeder/substation level for all locations associated with proposed proactive distribution upgrades ~~and locations that the utility analyzed but decided not to upgrade~~."[3] We do not agree with this change because Xcel's sharing forecast results for locations they analyzed but chose not to proactively upgrade would promote transparency in the distribution planning process, which we believe is critical. In particular, it would better enable Commission and stakeholder evaluation of this new proactive process, including whether the Draft Framework is operating as intended.

Section F.1. ELPC/VS/CEF do not agree with the modification to this provision proposed by the Minnesota Solar Energy Industries Association (MnSEIA). MnSEIA would modify F.1 as follows: "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."[4] As discussed in our initial comments, we do not support Section C.11 at this time. However, we believe the cross-reference in F.1 does require correction to refer to the stakeholder engagement process in Section C.10, which we do support. ELPC/VS/CEF suggest the following:

> **Revised Section 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.10 regarding Stakeholder Outreach.

[3] Xcel Initial Comments, Att. 3 at 3.
[4] MnSEIA Initial Comments at 6.

Section G.3. ELPC/VS/CEF continue to support G.3 and do not oppose MnSEIA's proposed modification.[5]

Section G.5. ELPC/VS/CEF continue to support G.5, along with G.4, and disagree with Xcel's assertion that the two provisions are redundant.[6] G.4 specifies that the utility must provide the lead time for the upgrade to inform the evaluation of the upgrade, which ELPC/VS/CEF agree is a critical data point. G.5 speaks to the risk of deferring the upgrade or using the existing planning process, including quantifying energization delays in years and number of customers impacted by delays. This information is different from stating how long it will take to build the proactive upgrade under G.4; rather, G.5 speaks to the risks and impacts on customers of <u>not</u> pursuing this proactive process. These risks and impacts may include delays, but may also include operational inefficiencies, bottlenecks, inability to timely meet state policy goals, and others. Moreover, it is not clear to ELPC/VS/CEF that the energization delay time would necessarily be equal to the lead time for an upgrade. While this may be true in some cases, in others there may be reasons for Xcel to begin upgrade construction sooner than the forecast date for its need (i.e., have a shorter lead time), for example, to take advantage of operational efficiencies.

Section G.6. ELPC/VS/CEF continue to support G.6 as written. We disagree with Xcel that G.6 would require it to conduct a duplicative analysis outside of its current non-wires analysis (NWA) process. Instead, G.6 requires Xcel to discuss <u>whether</u> it conducted an NWA and, if so, provide the results. If not, Xcel would have to "provide a discussion" of potential non-

[5] MnSEIA Initial Comments at 6-7 (Proposed G.3: "The cost per unit of capacity gained<u>, 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 agree[] to pay to interconnect, and above which interconnection would become unviable</u>.").
[6] Xcel Initial Comments, Att. 3 at 3.

wires alternatives to the proposed upgrade, but G.6 does not require Xcel to undertake any specific or in-depth analysis for this discussion. Rather, G.6 requires Xcel to show that it has given some thought to non-capital-intensive ways it could address system needs, which may be less costly for its customers. We continue to believe such a discussion is important, especially in light of the tension between non-capital approaches like flexible interconnection and Xcel's inherent incentive to make capital investments, as discussed in our initial comments. To the extent Xcel seeks additional flexibility in what this discussion requires, ELPC/VS/CEF would also support the following:

> **Alternative G.6**: Discussion of whether [utility] performed a non-wires alternative (NWA) for the project, and if so, the results of the analysis. If [utility] did not perform an NWA, provide a discussion of alternative measures, if any, that could be taken to mitigate the risk(s) the upgrade is intended to address, including energy-conservation, load-management measures and/or flexible interconnection.

Sections H.1 and H.2. For similar reasons, both the Department of Commerce (Department) and OAG recommend removing these sections from the Draft Framework and continuing to discuss how to address non-location-specific proactive upgrades in Phase 2.[7] Both the Department and OAG point to lack of clarity on what types of investments may be involved and how the Commission would evaluate them. As part of further discussions, OAG requests that proponents of such measures provide "concrete examples of these types of investments, how they relate to location-specific proactive upgrades, and how they derive value for a utility's system."[8]

ELPC/VS/CEF continue to support the inclusion of both H.1 and H.2 in the framework now. ELPC/VS/CEF suggest that the primary example of such non-location-specific measures

[7] Department Initial Comments at 12; OAG Initial Comments at 11.
[8] OAG Initial Comments at 11.

would be building additional stock of long-lead-time items, such as regulator/LTC controllers, service transformers, and substation transformers. The utility may seek to do this when it expects, based on its forecasts, that higher-than-usual volumes of such items may be necessary outside of its traditional five-year planning window, in order to avoid lack of availability or other bottlenecks in the future when any specific needs are closer to materializing. Thus, this measure does not respond to a particular locational need, but rather a collection of higher-than-usual needs on a longer-than-usual timeframe. By proactively building this type of stock, the utility derives value through avoiding future supply constraints and potentially higher costs, which may force it to defer projects when they are more immediately needed. ELPC/VS/CEF suggest that many of the evaluation criteria in Section G would apply to these non-location-specific proactive measures. Although we recognize not all of the criteria would apply, we believe the utility could explain this if it chose to propose such proactive measures.

In addition, Xcel recommends eliminating H.2 because it is unclear what it requires, since coordinating maintenance with project work is already part of Xcel's processes.[9] ELPC/VS/CEF understand H.2 to clarify and make transparent the utility's intent to coordinate upgrades, such as controller replacements, with maintenance activities where practical and appropriate. Explicit inclusion in this proactive framework would allow the utility to stock the additional hardware needed, based on its forecasts as discussed above, to facilitate this coordination. Although ELPC/VS/CEF appreciate that such coordination is part of Xcel's existing processes, we nonetheless believe that transparently capturing this particular goal of non-locational proactive upgrades is valuable.

[9] Xcel Initial Comments, Att. 3 at 3.

Sections J.0 (OAG) and J.4. ELPC/VS/CEF do not oppose both OAG's new J.0 or J.4 as modified by either OAG or Xcel, whose modifications seem to have a similar intent.[10] We find that both provisions provide clarification regarding the cost-recovery process and treatment of cost-share fees, although we are unsure if such clarification is essential to the Draft Framework.

Sections J.5 – J.6 and J.7 – J.9. ELPC/VS/CEF continue to support the Cost-Share Window approach captured in Sections J.5 and J.6 to mitigate the risk to ratepayers, as discussed in our initial comments. We recognize that both the Department and the OAG share this goal and would eliminate J.5,[11] and we do not oppose its removal if the Commission opts to take this J.5/J.6 approach to the Cost-Share Window. At the same time, we are sympathetic to the concerns Xcel expressed regarding this J.5/J.6 approach around the length of the window and the burden imposed on the utility, particularly if the window is open for each asset until it is fully depreciated.[12] Although ELPC/VS/CEF do not offer a specific compromise proposal, we suggest there may be an opportunity for a middle-ground approach that takes into account both ratepayer protection and administrability concerns, such as shortening the window in J.5 or lengthening the window in J.7.

Section M.12. ELPC/VS/CEF do not agree with Xcel's proposed modification and continue to support M.12 as written. Xcel would modify M.12 as follows: "For projects that were accelerated, delayed, or abandoned following Commission approval, [utility] shall discuss the impact of <u>the</u> ~~that~~ change ~~on total proactive grid upgrade costs, cost allocation, and benefit~~

[10] Xcel Initial Comments, Att. 3 at 4 (Proposed J.4: "All cost-share fees collected from Cost-Share Customers shall be returned to ratepayers <u>as an offset to the revenue requirements</u> of proactive upgrade capital investments."); OAG Initial Comments at 13 (Proposed J.0: "The primary mode of cost recovery for proactive distribution upgrades is through a utility's base rates."; Proposed J.4: "All cost-share fees collected from Cost-Share Customers shall be returned to ratepayers as an offset to proactive upgrade <u>rate base</u> ~~capital investments~~.").
[11] Department Initial Comments at 5-6; OAG Initial Comments at 15-17.
[12] Xcel Initial Comments, Att. 3 at 4.

~~allocation~~." However, we believe that specifying the types of impacts that the Commission and stakeholders' wish to understand provides valuable clarity to this reporting requirement. To the extent Xcel seeks flexibility in describing the impact, ELPC/VS/CEF would also support the following:

> **Alternative M.12:** For projects that were accelerated, delayed, or abandoned following Commission approval, [utility] shall discuss the impact of that change, including the impact, if any, on total proactive grid upgrade costs, cost allocation, and benefit allocation.

B. Phase 2

Timing. Although most parties that commented on this topic indicated support for a Commission decision in either Q2 or Q3 2027, Xcel suggested the Commission set a goal of Q4 2026.[13] ELPC/VS/CEF find this to be an overly aggressive timeline given the volume of work expected in Phase 2. The Commission met to consider Xcel's 2023 IDP on July 2, 2024 and issued its written decision on September 16, 2024. Assuming a similar timeframe for Xcel's 2025 IDP, even if the work group commenced Phase 2 in summer 2026 shortly after the Commission's meeting, it would be very challenging to discuss all (or even a subset) of the identified topics, file any updated proposal, file written comments, and receive Commission consideration in under six months. While a Q2 2027 Commission decision would still be ambitious for similar reasons, ELPC/VS/CEF would support such a target (vs. Q3 2027) in an effort to accommodate Xcel's desire to integrate any changes into its 2027 IDP, which we agree is important.

Topics. ELPC/VS/CEF continue to support discussion of all topics listed in Attachment B during Phase 2, as well as certain additional topics identified by other parties. Below we respond to parties' comments on potential Phase 2 topics.

[13] Xcel Initial Comments at 9.

- Coordination with Reactive Process (Att. B #3). Xcel stated in its initial comments that it does not support "including any reactive projects in this Framework, which is intended for proactive upgrades."[14] However, ELPC/VS/CEF understood this topic to entail discussion of if and how to coordinate this proactive process with the reactive/cost-sharing process developed in a separate work group, rather than any presupposition regarding the inclusion of reactive projects within proactive planning. We continue to believe that such discussion is important, especially once these two processes are implemented and all stakeholders can better understand how they operate and potentially interact with each other. We also believe that this discussion would necessarily be implicated in any discussion of how to treat front-of-the-meter generation within the proactive process, since it has been a focus of the reactive process. ELPC/VS/CEF note that the Department's discussion of this issue in its comments highlight some of the open questions and the need for continued conversation about this topic.[15]
- Flexible Interconnection (Att. B #5). Xcel stated in its comments that it does "not support including flexible interconnection in this framework because it is not an upgrade; rather, it is a way of avoiding some level of upgrades."[16] As discussed in our initial comments, ELPC/VS/CEF believe this tension is one important reason the work group should discuss flexible interconnection in Phase 2, to better understand how flexible interconnection's ability to avoid upgrades interacts with the Draft Framework's intention to facilitate proactive upgrades. Although flexible

[14] Xcel Initial Comments at 8.
[15] Department Initial Comments at 13-14.
[16] Xcel Initial Comments at 8.

interconnection is not currently available, as Xcel pointed out,[17] the Commission directed Xcel to work towards implementing it in its September 16, 2024 IDP Order.[18] Given the promise of flexible interconnection and the Commission's interest in it, it is essential that the proactive upgrade work group continue to consider if and how to address it within the framework. ELPC/VS/CEF note that several other parties commented in support of further discussion of flexible interconnection, as well.

- Advanced Cost Allocation (Att. B #6). Xcel's initial comments seem to indicate an unwillingness to entertain any further discussion of alternative cost allocation approaches.[19] This seems misplaced, particularly given the statutory directive that it include in its IDP "a discussion of alternative methods to allocate costs of distribution system upgrades among distributed generation owners or developers and ratepayers." Minn. Stat. § 216B.2425, subd. 9. This statutory provision was part of the impetus for the creation of the proactive work group. In Phase 1, the work group focused on existing cost allocation and cost recovery mechanisms, and how best to deploy them to recover proactive upgrade costs. ELPC/VS/CEF agree this focus was appropriate given the tight timeframe and decision to exclude consideration of front-of-the-meter DERs, however it left no opportunity for discussion of alternative methods. Phase 2 offers an opportunity to explore this topic further. As indicated in our initial comments, ELPC/VS/CEF suggest this should include discussion of export tariffs. We also note that several other parties support further discussion of advanced cost allocation.

[17] Xcel Initial Comments at 8.
[18] IDP Order at 18, 26-27 (particularly Order pt. 21).
[19] Xcel Initial Comments at 8-9.

- Separate Distributed Generation Engagement Group (Draft Framework Section C.11). Like several other parties, although ELPC/VS/CEF do not support the inclusion of a separate DGEG in this initial iteration of the framework, we would support further discussion of this concept, particularly in the context of considering if and how to integrate front-of-the-meter generation into the framework.
- Capacity Reservation (Draft Framework Section L). Although ELPC/VS/CEF continue to support Section L.1, which would institute no capacity reservation in the framework, we agree with several parties that Phase 2 should include continued discussion of this topic.
- Non-Location-Specific Proactive Measures (Draft Framework Sections H.1 and H.2). As discussed above, ELPC/VS/CEF support inclusion of these provisions in the framework. However, if the Commission opts to remove them, then ELPC/VS/CEF would support further discussion in Phase 2.

C. Other Issues or Concerns

ELPC/CEF/VS respond to two additional issues parties identified in their initial comments.

First, ELPC/CEF/VS appreciate the Department's highlighting the possibility that, if the utility does not file a proactive upgrade proposal, then there will be no visibility into their assessment of potential proactive upgrades, including any forecasting results related to potential locations as required under Section E.4.[20] We agree that such visibility is valuable, particularly to understand whether the utility may be missing an important opportunity for system upgrades to achieve DER and electrification goals. Therefore, we support the Department's

[20] Department Initial Comments at 13-14.

recommendation for the following new IDP filing requirement for utilities for which proactive planning is approved: "Forecast results for generation and peak loads at the feeder/substation level for all locations that have a potential proactive upgrade need, as well as the standard reactive upgrade capacity upgrade."

Second, ELPC/CEF/VS appreciate Fresh Energy's discussion of equity considerations, which, among other things, underscores the finding by Drs. Bhavin Pradhan and Gabriel Chan that disadvantaged communities and communities with high populations of color tend to have higher levels of hosting capacity.[21] As we discussed in our IDP initial comments, these findings indicate that DERs could be integrated into many such communities without grid upgrades.[22] In other words, the grid is not the barrier to DER access for many of these communities, although other barriers certainly exist. That being said, more granular hosting capacity data could help pinpoint any specific communities that may have constrained hosting capacity and could benefit from grid upgrades, including possibly proactive upgrades.[23] ELPC/CEF/VS support further discussion of the questions Fresh Energy identified in its comments in the context of proactive upgrades, as well as in Xcel's next IDP as relates to system upgrades and planning more generally.

III. CONCLUSION

ELPC/VS/CEF reiterate our recommendation that the Commission adopt the Draft Framework, specifically the provisions identified in Attachment 1 to our initial comments. As discussed in these reply comments, we now suggest some limited revisions and modifications to

[21] Fresh Energy Initial Comments at 6-7.
[22] In the Matter of Xcel Energy's 2023 Integrated Distribution Plan, Docket No. E-002/M-23-452, *Initial Comments of Grid Equity Commenters: Cooperative Energy Futures, Environmental Law & Policy Center, Sierra Club, and Vote Solar*, at 19 (Mar. 1, 2024).
[23] *Id.* at 19-20, 34-35.

certain provisions based on other parties' comments. In addition, the ELPC/VS/CEF recommend the Commission proceed with Phase 2 as described in Attachment B to the Commission's Notice and discussed in our initial comments and these reply comments.

Respectfully submitted,

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