414 Nicollet Mall
Minneapolis, MN 55401

August 9, 2024

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

—Via Electronic Filing—

RE: INITIAL COMMENTS
2024-2040 UPPER MIDWEST INTEGRATED RESOURCE PLAN
DOCKET NO. E002/RP-24-67

Dear Mr. Seuffert:

Northern States Power Company, doing business as Xcel Energy, submits these Initial Comments pursuant to the Minnesota Public Utilities Commission's (Commission) June 17, 2024 Notice of Extended and Modified Comment Period regarding the Company's 2024-2040 Upper Midwest Integrated Resource Plan (2024 Plan) filed February 1, 2024 in the above-noted docket.

The Preferred Plan identifies needed resources based on key decisions in the Company's 2019 Resource Plan proceeding.[1] The Commission's Order in that proceeding (2019 IRP Order) also described the Commission-approved alternative resource acquisition processes applicable to the Company.[2] As discussed in our 2024 Plan, the Preferred Plan builds on noted achievements and actions since our 2019 Resource Plan was approved and increases the pace of our carbon-reduction efforts even further, while continuing to ensure our system maintains robust reliability. To achieve these objectives, the Company must leverage streamlined processes and innovative approaches.

As such, in these Initial Comments, we offer a revised, more streamlined bidding approach for securing resources when the Company proposes to build its own generating facility. The changes we propose would modify the established "Contested Case/Track 2" competitive resource acquisition bidding process, drawing from past

[1] *In the Matter of the 2020-2034 Upper Midwest Integrated Resource Plan of Northern States Power Company d/b/a Xcel Energy*, Docket No. E002/RP-19-368 (April 15, 2022).
[2] *See* Appendix A.

experiences and most recently on our involvement in the firm dispatchable acquisition proceeding.[3] We also take this opportunity to introduce a new concept within the resource planning process – distributed capacity procurement (DCP). We have critical grid and capacity needs, and we think this program shows great promise as a tool to address those needs in a timely manner and at the necessary scale.

We look forward to discussing our proposed resource acquisition process modifications and DCP proposal with the Commission, stakeholders, and the community.

We have electronically filed this document with the Minnesota Public Utilities Commission, and copies have been served on the parties on the attached service list. Please contact me at bria.e.shea@xcelenergy.com if you have any questions regarding this filing.

Sincerely,

/s/

BRIA E. SHEA
REGIONAL VICE PRESIDENT, REGULATORY POLICY

Encls
c: Service List

[3] *In the Matter of Xcel Energy's Competitive Resource Acquisition Process for up to 800 Megawatts of Firm Dispatchable Generation,* Docket No. E002/CN-23-212.

STATE OF MINNESOTA
BEFORE THE
MINNESOTA PUBLIC UTILITIES COMMISSION

Katie J. Sieben	Chair
Hwikwon Ham	Commissioner
Valerie Means	Commissioner
Joseph K. Sullivan	Commissioner
John A. Tuma	Commissioner

IN THE MATTER OF XCEL ENERGY'S 2024-2040 UPPER MIDWEST INTEGRATED RESOURCE PLAN	DOCKET NO. E002/RP-24-67
	INITIAL COMMENTS

INTRODUCTION

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The Preferred Plan identifies needed resources based on key decisions in the Company's 2019 Resource Plan proceeding.[1] The Commission's Order in that proceeding (2019 IRP Order) also described the Commission-approved alternative resource acquisition processes applicable to the Company.[2] As discussed in our 2024 Plan, the Preferred Plan builds on noted achievements and actions since our 2019 Resource Plan was approved and increases the pace of our carbon-reduction efforts even further, while continuing to ensure our system maintains robust reliability. To achieve these objectives, the Company must leverage streamlined processes and innovative approaches. We anticipate a shift from the slow load growth experienced over the past several years to increased demand for electricity at a greater pace. We project a need for 4,200 MW of renewable and storage additions by 2030, demonstrating the necessity for fast-to-market generation and streamlined processes.

As such, we believe it is appropriate to address considerations of the Contested Case/Track 2 bidding process here. We offer a revised, more streamlined bidding

[1] *In the Matter of the 2020-2034 Upper Midwest Integrated Resource Plan of Northern States Power Company d/b/a Xcel Energy*, Docket No. E002/RP-19-368 (April 15, 2022).
[2] *See* Appendix A.

approach for securing resources when the Company proposes to build its own generating facility in these comments.

As further discussed below, we would also like to take this opportunity to introduce a new concept within the resource planning process – distributed capacity procurement (DCP). The proposed DCP program leverages our resource planning systems and processes to strategically deploy distributed assets in places that creates the most value for the grid while simultaneously supporting additional load and economic growth. We believe this program shows great promise. It aligns with the goals of the state of Minnesota and Xcel Energy and is directionally consistent with the record in our most recently concluded IRP, as well as this IRP.

INITIAL COMMENTS

I. Proposed Changes to the Competitive Resource Acquisition Process

The changes we propose would modify the established "Contested Case/Track 2" competitive resource acquisition bidding process, drawing from past experiences and most recently on our involvement in the firm dispatchable acquisition proceeding.[3] Below, we outline the history of our current bidding process and share our experiences with the Track 2 resource acquisition process. We explain why modifying our bidding process benefits our customers, detail our proposed resource acquisition steps, and address how the proposed process resolves concerns raised by stakeholders in other proceedings.

A. Genesis of the Current Bidding Process

Xcel Energy currently has two options for Commission approval of generation resource acquisitions – a Certificate of Need in accordance with Minn. Stat. § 216B.243 or a bidding process approved by the Commission in accordance with Minn. Stat. § 216B.2422, Subd. 5. These options empower the Commission to effectively tailor the resource acquisition process, ensuring it aligns with the State's needs.

In the past, the Company used an "all-source bidding" process approved by the Commission to satisfy the requirements of Minn. Stat. § 216B.2422, Subd. 5. Under this approach, the Company did not always specify a particular capacity need or resource type. Instead, bidders submitted proposals based on the capacity needs identified in our resource planning process. However, the Commission found that the

[3] *In the Matter of Xcel Energy's Competitive Resource Acquisition Process for up to 800 Megawatts of Firm Dispatchable Generation,* Docket No. E002/CN-23-212.

all-source bidding process "fell short of expectations…its open-endedness and flexibility tended to undermine the certainty, transparency, and accountability required in the commercial context."[4] Further, the Commission stated:

> [R]obust competition cannot be achieved without two things: (1) a fair, predictable, and transparent competitive process; and (2) widespread agreement that the process is fair, predictable, and transparent.
>
> Potential suppliers will not commit the resources necessary to compete effectively, and will not disclose the sensitive information often required to evaluate their competitive proposals, unless they have confidence in the objectivity, good faith, and predictability of the competitive process. In fact, to attract competitive proposals, it may matter less what the rules are - assuming fundamental rationality and basic fairness - than whether all potential players know the rules and know that they will be enforced evenhandedly.[5]

To address these shortcomings, the Commission approved a two-track resource acquisition process: employing a request for proposal (RFP) competitive bidding process when the Company does not submit a self-build proposal (Track 1) and using the certificate of need process—with other generation owners and developers permitted to submit competing proposals—when the Company submits a self-build proposal (Track 2). Further, the Commission adopted, in their entirety, and incorporated by reference the Department of Commerce's (Department) January 30, 2006 comments outlining the details of both tracks of this process. The competitive bid process includes three main points as described below.

1. *Using an independent auditor*: This adds credibility to the process by assuring bidders that the Company is accountable for its choices.
2. *Using a standard contract*: This tool provides clarity, streamlines bidder evaluation, and ensures selection integrity by thoroughly defining the baseline contract requirements upfront.
3. *Presenting a contingency plan early in the bidding process*: This step demonstrates the Company's commitment to precisely defining the minimum requirements for each bidding process.[6]

The Company proposed changes to the established two-track process in our August 12, 2016 Reply Comments to our 2016-2030 Upper Midwest Resource Plan in Docket No. E002/RP-15-21. At that time, the Company planned to add up to 1,500 MW of wind resources through purchased power and self-build projects. Faced with critical deadlines to secure production tax credit (PTC) cost-saving benefits for

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[4] *In the Matter of Northern States Power Company d/b/a Xcel Energy's Application for Approval of its 2004 Resource Plan*, Docket No. E002/RP-04-1752, Order (May 31, 2006), at pp. 2-3.
[5] *Id.* at p. 6.
[6] *Id.* at p. 8.

our customers, the Company proposed a modified Track 2 resource acquisition process. This process served the dual purpose of promptly procuring wind projects and demonstrating the competitiveness of our self-build proposal. The Commission approved the Company's modified Track 2 process for the acquisition of wind and solar resources.[7]

Finally, after incorporating minor updates, the Commission approved the current resource acquisition processes – No-Bid/Track 1 (Track 1), Xcel-Bid Contested Case/Track 2 (Track 2), and Xcel-Bid Auditor/Modified Track 2 (Modified Track 2) – in the 2019 IRP Order. In brief, the Track 1 process run by the Company is used to acquire resources when the Company is not proposing a project. Track 2 is a contested case proceeding run by an Administrative Law Judge (ALJ) for resources excluding wind and solar. The Modified Track 2 process run by the Company is used to acquire wind and/or solar resources when the Company is proposing a project.[8]

B. Experience with Using the Track 2 Process

The Track 2 resource acquisition process was established nearly 20 years ago and has been utilized on a relatively small number of acquisitions, with notably limited success. Below is a summary of these instances.

- Docket No. E002/CN-06-1518: In November 2006, the Company initiated a competitive resource acquisition process for baseload generation. Subsequent legislation by the 2007 Minnesota Legislature introduced new requirements for demand-side management and renewable energy development, prompting a re-evaluation of Company's resource needs. The acquisition was suspended with no projects selected.
- Docket No. E002/M-10-633: In June 2010, the Company filed a petition under the Track 2 resource acquisition process seeking approval for power purchase and diversity exchange agreements with Manitoba Hydro. Despite soliciting competing bids, no offers were received, and the Commission approved the agreements.
- Docket No. E002/CN-12-1240: This Track 2 resource acquisition proceeding spanned more than two years, from the submission of bids to the issuance of the Commission's final Order. Only four bidders, plus Xcel Energy, participated in this process, which also involved appellate litigation. Notably, the ALJ's recommendation was not approved by the Commission.

[7] *In the Matter of Xcel Energy's 2016-2030 Integrated Resource Plan*, Docket No. E002/RP-15-21, Order (January 11, 2017), at Order Point 5.
[8] *See* 2019 IRP Order, Appendix A.

Currently, the Company is participating in a Track 2 competitive resource acquisition process for firm dispatchable resources in Docket No. E002/CN-23-212. This process began on May 24, 2023, with the Company's filed Notice Plan. Other key procedural dates are noted below.

- November 3, 2023: Commission Order to begin the process.
- January 22, 2024: Project bids were filed.
- April 2, 2024: Commission Order to start the contested case proceeding.
- August 30, 2024: Xcel Energy Direct Testimony is due.
- March 18, 2025: ALJ Report issuance.

We anticipate a Commission hearing regarding the resource acquisition decision in the summer of 2025. At that point, and to the extent the Commission approves entering into power purchase agreements (PPAs) with certain bidders, the Company will begin those PPA negotiations, which may take months. Following PPA negotiations, the Company will still need to seek Commission approval of the PPAs, resulting in a process that could take three years to conclude.

Notably, in addition to the prolonged process timeline, only five third-party bidders are participating following the withdrawal of one bidder. Currently, there are ten projects under consideration, with three of them being Xcel Energy projects.

C. Modifying the Bidding Process is in the Best Interest of our Customers

Our experience with the Track 2 process has highlighted valuable insights; there are opportunities to improve competition and the associated timeline is unreasonably lengthy. As detailed below, process improvements will better serve our customers.

1. Enhancing Competition through an Improved Resource Acquisition Process

The Commission originally established the multi-track bidding process to ensure robust competition and emphasized the need for fairness, predictability, and transparency. However, the Track 2 bidding process has not consistently delivered the desired level of competition. In four resource acquisition attempts using Track 2, one failed, another received no bids compared to the hydro proposal, a third attracted only four bidders, and the fourth is ongoing but attracted only six third-party bidders, one of which has already withdrawn.

As previously discussed, the Commission recognized that the success of a resource acquisition process relies on substantial participation by bidders who understand and have confidence in it. To participate in a Track 2 proceeding, bidders must not only

prepare bids, but also participate in a contested case proceeding before an ALJ. This requires the submission of Direct Testimony, Rebuttal Testimony, Briefs, and Discovery. While this rigorous process ensures a thorough review, the fact that only a limited number of bidders participated in the two most recent Track 2 proceedings suggests that it may be overly burdensome. Further, bidders are generally more familiar with the commonly used RFP process than with the contested case proceeding. Notably, the most recent Modified Track 2 proceeding saw a total of 80 bids for 43 distinct projects.[9]

Limited bidder participation is compounded by the reluctance of those who do participate to share confidential data due to the competitive market. Bidders cannot fully participate or directly compete against each other without access to confidential information about the other bids, but bidders are also increasingly unwilling to share such information with their direct competitors. Notably, NextEra Energy recently withdrew from the ongoing Track 2 acquisition proceeding, citing "certain complexities associated with the unique Track 2 process" as their reason for withdrawal.[10]

The limited bidder participation undermines robust competition in the Track 2 process. As the Commission rightly noted, understanding the rules is almost more important than the rules themselves. Our experience indicates that bidders often struggle to grasp the process. Without effective participation by a large number of bidders, the Track 2 process begins to more closely resemble a long RFP with additional steps that add limited value.

2. The Timeline to Complete a Track 2 Proceeding Causes Problems for our Customers

As previously discussed, the timeline for completing a Track 2 resource acquisition proceeding is unnecessarily lengthy and lacks additional benefits. In the only Track 2 proceeding that generated multiple bids, apart from the ongoing proceeding, the process took two years to complete, and the Commission did not adopt the ALJ decision.[11] The current proceeding is likely to take three years, and we have already lost more than 20 percent of the projects.[12] In contrast, the most recent Modified Track 2 resource acquisition proceeding took only about one year from the time the RFP was issued to the Commission's decision.[13]

[9] Docket No. E002/M-22-403.
[10] Request for Withdrawal by NextEra Energy Resources Development, LLC, Docket No. E002/CN-23-212 (April 25, 2024).
[11] Docket No. E002/CN-12-1240.
[12] Docket No. E002/CN-23-212.
[13] Docket No. E002/M-22-403.

The Track 2 process lacks the agility to acquire resources when needed. With a two- and a half or three-year process, coupled with permitting and construction time, it may be impractical to obtain resources through Track 2 during the five-year action plan. Further, the extended duration of Track 2 proceedings may cause bidders to withdraw, most likely because the assumptions impacting their costs grow stale and unreliable, or the market has changed, and the bidder simply chooses to pursue other opportunities. Notably, there are alternative RFPs, including those from Xcel Energy, that will have started after a Track 2 proceeding but are expected to conclude more quickly. The protracted timeline of the Track 2 process may also result in significant changes in price or other assumptions while the process is ongoing.

The important lessons learned from our Track 2 experience can inform process improvements that will support an effective and efficient resource acquisition process to swiftly facilitate the energy transition and to allow the Company to compete with other states and utilities for resources.

D. Resource Acquisition Process Steps

In the current landscape, there is no need for a separate bidding process for different resource acquisitions. Establishing a single effective and adaptable process will better serve our customers. To create this proposal, we have combined the most successful parts of the existing bidding processes approved by the Commission. Further, additional steps are added for thermal resources to address previous stakeholder feedback, as discussed in more detail below.

Specifically, the proposed process will include the following steps to fulfill resource acquisitions where the Commission has identified a need in a Resource Plan order, or otherwise directed a resource acquisition:

1. The Commission issues an order identifying the size, type, and timing of the resource needs, and authorizing the use of this bidding process.

2. Before Xcel Energy issues a Request for Proposal (RFP), the Company shall file a document detailing its planned competitive bidding process – including, at a minimum, the following components:

    a. A list of independent auditors Xcel Energy considered to oversee the bidding process, and Xcel Energy's rationale for the chosen auditor.

b. The criteria that Xcel Energy will use to evaluate proposals, including but not limited to consideration of socioeconomic impacts.

c. The planned text of the RFP.

d. The planned timeline for the issuance of the request for proposals; the allowed response time; the date upon which Xcel Energy will submit its self-build proposal (if applicable); and the approximate timeline for Xcel Energy to submit its report to the Commission detailing the bid results, including the independent auditor's evaluation of the bid process.

e. Confirmation that the RFP will be published publicly and open to any interested developer.

f. Confirmation that bids for power purchase agreements will be permitted unless –

   1) the request for proposals is being issued exclusively for a need the Commission has stated may be limited to Company-owned resources, and/or

   2) that treatment is not permitted as a result of requirements of the Federal Energy Regulatory Commission or the Midcontinent Independent System Operator.

g. A contingency plan in the event of an unsuccessful bidding process.

3. For RFPs seeking thermal resources, the draft RFP is provided to the Department of Commerce for review at least 30 days before issuing. If any identified issues are unable to be resolved, the Department may file an objection with the Commission.

4. Xcel Energy issues its RFP. The RFP, the standard contract used for power purchase agreements, and term sheets for build-transfer contracts are published publicly.

5. The day before responses to that RFP are due, Xcel Energy submits its self-build project petition. This petition contains an estimate of final costs for the project and other project details necessary to evaluate the proposal in accordance with the identified selection factors. Xcel Energy

employees developing the bid are independent and separate from the bid evaluation team.

6. After receiving bids in response to the RFP, Xcel Energy evaluates the bids and select projects for contract negotiation that are in the best interest of its customers. Xcel Energy evaluates the bids using a number of factors, such as:

- Levelized cost,
- Financial capability,
- Project schedule,
- Project design,
- Project risks,
- MISO queue position status,
- Interconnection and network upgrades,
- Energy production profile,
- Site control,
- Project output delivery plan,
- Expected turbine availability,
- Pricing options,
- Project development milestones, and
- Other relevant factors.

Using these criteria, the Company selects projects that are in the best interest of its customers. Bid selection is reviewed by an independent auditor (IA).

7. For proceedings that involve thermal resources, the following steps are taken:

A) Xcel Energy files a petition to approve its bid selections, including:

1) Ranking and analysis for all bids.
2) IA certification and report.
3) Capacity expansion modeling and other analysis needed to support any thermal generation selected, significant changes in resource needs compared to the Resource Order from the Commission, or otherwise directed by the Commission.

B) After the bid selection petition is filed for thermal resources, the Commission conducts a notice and comment period to evaluate the bid selection. The Commission issues an order approving, rejecting, or modifying thermal resource bid selection within six months.

C) After the Commission order on thermal resource bid selection, Xcel Energy negotiates PPAs and other necessary agreements, and files a petition for approval with the Commission within four months. Where warranted, additional time may be used to complete this process.

8. For non-thermal resources, Xcel Energy negotiates contracts with each applicable developer following bid selection. Xcel Energy then makes a filing to the Commission that includes the contracts for projects selected from the request for proposals, as well as a comparison between those projects and Xcel Energy's self-build proposal. The Company includes a ranking and bid data for all bids received in response to the request for proposals and an analysis of the factors identified above for all projects for which Xcel Energy conducts due diligence. Additionally, the Company provides an independent third-party auditor report of its process for requesting proposals, which reviews the Company's evaluation of proposals and due diligence, as well as the Company's selection of proposals for contract negotiation.

E. The Proposed Process Addresses Concerns Raised by Stakeholders in Other Proceedings

Our new bidding proposal is designed to respond to and accommodate concerns raised by stakeholders in the past.

In the 2019 IRP proceeding, the Clean Energy Organizations (CEOs) explained several reasons that they preferred the existing Track 2 process. CEOs argued that a Modified Track 2 bidding process should only be used after the Commission has determined that the resources are needed.[14] CEOs also argued that thermal projects should be justified using updated system modeling, and that stakeholders should have an opportunity to comment on the choices before they are finalized. Our updated bidding process incorporates each of these recommendations. We agree that any generation project needs to be in the public interest, but we believe that this showing can be made in an RFP-like proceeding with a notice and comment period. Our

[14] CEOs Supplemental Comments, Docket No. E002/RP-19-368 (October 15, 2021) at p. 24.

proposal provides an additional opportunity for stakeholder feedback, with an added step for Commission approval following a notice and comment period, for the bid selection of thermal resources.

In addition, CEOs raised concerns about using an abbreviated resource acquisition process in the absence of timing concerns. As we have seen in the pending firm dispatchable proceeding, the use of the Track 2 bidding takes so long that projects cannot be constructed during the five-year action plan. Our updated bidding process is designed to permit the type of analysis and engagement CEOs have requested, while recognizing that we need to acquire resources more quickly in order to serve our customers.

The Office of Attorney General (OAG) and Citizens Utility Board of Minnesota (CUB) emphasized competitiveness, transparency, and neutrality in solicitation processes.[15] We believe that these goals are met with our new proposal. Our proposed process promotes transparency before the RFP by providing an informational filing with several details on the upcoming solicitation ahead of issuing the RFP. For thermal resources, which require additional scrutiny, the Department will have an opportunity to review and raise objections 30 days in advance of issuing the RFP. During the open solicitation period, transparency is further enhanced by publicly publishing the RFP, standard contracts, term sheets, and other relevant materials. After bid evaluation and selection, we continue to promote transparency by making use of an independent auditor and, for thermal bids, filing a petition to explain our bid selection.

Finally, we note that our proposed process is consistent with the Department's recommendation in the 2019 RFP to use the Modified Track 2 bidding process for resource acquisitions in which Xcel Energy decides to bid. In that proceeding, the Department noted that the Track 1 and Modified Track 2 process "have proven successful in recent dockets (when followed correctly) and provide significant ratepayer protections and thus warrant permanent approval."[16]

II. DISTRIBUTED CAPACITY PROCUREMENT PROPOSAL

We would like to introduce a new concept we are moving forward within the resource planning process. While there are still details to be developed, we have critical grid and capacity needs, and we think this program shows great promise as a tool to address those needs in a timely manner and at the necessary scale. In addition, this

[15] OAG Supplemental Comments, Docket No. E002/RP-19-368 at pp. 7-10 (October 15, 2021).
CUB Supplemental Comments, Docket No. E002/RP-19-368 at p. 15 (October 15, 2021).
[16] Department of Commerce Reply Comments, Docket No. E002/RP-19-368 at p. 99 (February 11, 2021).

program meets the goals of the state of Minnesota and Xcel Energy and is directionally consistent with the record in our most recently concluded IRP as well as this IRP.

A. Distributed Capacity Procurement Overview

Historically, distributed energy resources (DER) have been deployed primarily through retail incentives and programs that typically provide value to direct participants in those programs. While the amount of distributed generation capacity within the footprint of Xcel Energy's Upper Midwest service territory has grown substantially over the last decade, this capacity has largely been divorced from bulk power system planning processes like the resource planning process as well as those planning processes focused on the distribution system such as the Integrated Distribution Plan (IDP). Although we include distributed generation capacity in our IRPs and IDPs, these additions are not driven by the resource needs identified in those planning processes. The lack of alignment between retail distributed generation programs and system value is a clear opportunity for enhancement that could allow DERs to provide greater value to all customers (rather than just participants) by potentially reducing system costs.

Therefore, we are proposing a distributed capacity procurement (DCP) program within the Upper Midwest Integrated Resource Plan. This DER deployment program would leverage Xcel Energy's planning and procurement capabilities along with a competitive DER supply chain to facilitate timely and economic deployment of DERs at scale across the distribution system. Integrating DERs into our system planning processes—determining the best customer locations for DER and including customer-sited generation and storage as a grid asset— helps deliver benefits including engaging customers, increasing capacity resources, accelerating the pace of resource deployment, and lowering the net cost to the grid. These procurement efforts would be led by the Company to engage and enroll our customers to adopt DER at the homes and businesses that are the best locations on the grid to maximize the efficiency of existing infrastructure. Relevant distributed energy technologies could include battery storage, backup generation, solar generation, and energy efficiency measures.

This DCP program could be considered a version of a utility-lead and funded Virtual Power Plant (VPP), but improved through utility planning to deliver increased value to the grid and to ratepayers, with an innovative deployment model allowing for a faster deployment of assets at a higher scale than previous VPP program models.

We believe this program is scalable and flexible -- we could add anywhere from 400 MW to over 1,000 MW to the system with options that allow for the DCP to

be scaled to achieve almost any speed of deployment. And while we are open to the size and timing of this program, we note that the record in this proceeding shows an existing need that is only compounded by new load growth opportunities so the faster we move and the more scale we can deliver, the better. Taken together, this new approach equips us to confidently meet incoming load growth, deliver unique customer and community value, and support economic development.

B. DCP Benefits

This program overcomes one of the main challenges with DERs to date---which is their operational unpredictability and random siting with little to no relation to grid needs or internal system planning. However, when deployed in a more targeted manner, DERs have the potential to provide system benefits at both the bulk power and distribution system level.

By bringing together a package of aggregated and planned DERs, we can bring them into our core planning efforts—specifying and capitalizing distributed energy resources in our territories and including customer-sited battery storage as a grid asset—we can accelerate the pace of deployment, support additional economic development and load growth, and lower the net cost to the grid.

With significant new load growth opportunities between data centers, electrification, and electric vehicle adoption, we face many challenges including maintaining affordability, building resources fast enough to support economic growth, and continuing our carbon emission reduction efforts--this program allows us to meet all of those goals.

The contemplated approach allows us to plan for and optimize DER deployment to where the grid needs it the most and leverages our understanding of grid needs, delivering the maximum benefit to our customers.

Significant benefits also accrue to customers, project developers and society as a whole by promoting the following outcomes:

- **Affordability:** total system cost is lowered by maximization of grid value. Lowest cost to ratepayers is achieved by promoting a local, competitive supply chain of vendors and suppliers to build and maintain the systems.
- **Reliability:** the DCP supports system resilience by providing backup power during outage events, reducing the impact of extreme weather events, enabling the grid to better withstand and recover from disruptions and enhancing community preparedness.

- **Equity:** the program demonstrates a strong commitment to equity by prioritizing the deployment of DERs in underserved communities, ensuring access to the benefits of distributed energy technology for all customers, promoting energy justice and reducing energy burden disparities.
- **Clean Energy Deployment:** the program accelerates clean energy deployment by increasing the adoption of technologies such as solar, storage and energy efficiency, reducing greenhouse gas emissions, reducing customer bills and supporting the transition to a low-carbon, energy efficient economy.
- **Economic Development:** the program drives economic development by ensuring plentiful, low cost, reliable power to attract companies to invest in our territory, such as manufacturing, data centers and new small businesses, creating new jobs, supporting state and local tax revenue, and stimulating innovation. Economic development benefits also accrue to local vendors who can bid on competitive solicitations to implement and maintain hundreds of MW of DERs. This vibrant supply chain will create local jobs in our territory and support an increase in the amount of skilled workers in the value chain for the design, installation, operation, and maintenance of DERs.
- **Faster Time to Power:** the program reduces time to power to support new load growth by leveraging fast-to-deploy, modular DERs that can be quickly permitted, installed and commissioned, providing a rapid response to evolving grid needs and supporting timely electrification efforts.

C. DCP Timing

Depending on the size of an approved program, we anticipate the ability to deploy hundreds of MW of DERs annually. At this time we estimate that an effort to deploy 400 MW of battery storage and 440 MW of distributed solar could have a launch and deployment timeline roughly as outlined below, following any necessary regulatory approvals:

- 9 – 12 months to set up the DCP program and launch it. This would include:
    - Finalizing targeted geographies;
    - Hiring program support staff;
    - Sourcing and signing contracts with competitive local vendors and OEMs;
    - Coordinating with Xcel Energy's systems to ensure proper connectivity, cybersecurity, uptime, and dispatch readiness;
    - Developing customer engagement strategy and value proposition messaging for customers to accept grid assets on/around their premises

and conduct training of our employees who own the customer relationships; and

- Creating customer-facing marketing materials.

- 36 months to deploy the DCP program. This would include:
  - Launching customer engagement efforts with proactive outreach;
  - Executing customer asset hosting contracts;
  - Overseeing design, construction, and ongoing service of projects;
  - Conducting competitive bidding for installations; and
  - Managing customer support inquiries and service calls, as needed.

Procedurally, we wanted to introduce this into our IRP comments and allow parties a chance to weigh in on this concept in this proceeding. We are moving forward and will continue to work on additional development of the program as well as evaluate our internal resource needs before bringing forward a more robust and detailed proposal in a separate proceeding in 2025.

D. DCP Considerations in Broader System Context

Given our fast-approaching coal retirements and significant other resources rolling off our system at a time of significant load growth, we believe this proposed program is supplementary to the resources proposed in the firm dispatchable proceeding and active Requests for Proposals (RFPs). Our current IRP modeling shows we have a need for 4,200 MW of renewable and storage additions by 2030, and 12,000 MW by 2040 in addition to significant additions of forecasted distributed solar resource including in our IRP base assumptions–and those numbers assume a relatively conservative load growth at just 2 percent a year. If we truly want to capture the opportunity that is at our door, we need to add the resources contemplated in the DCP as well as those being considered in the firm dispatchable proceeding.

CONCLUSION

We appreciate this opportunity to discuss our proposed resource acquisition process modifications and DCP proposal with the Commission, stakeholders, and the community. Our proposed streamlined resource acquisition process prioritizes efficiency and agility, ensuring timely resource acquisitions and reducing project withdrawal or failures. It maintains transparency and encourages stakeholder engagement by providing details before issuing RFPs and publishing relevant materials. Additional steps for thermal

resources allow for enhanced scrutiny, and an independent auditor ensures neutrality in bid evaluation. This balanced approach benefits both customers and the energy transition.

The proposed DCP program leverages our resource planning systems and processes to strategically deploy assets in places that create the most value for the grid while simultaneously supporting additional load and economic growth. We will continue our work on this proposal and return to the Commission with a more detailed program for approval.

Dated: August 9, 2024

Northern States Power Company

CERTIFICATE OF SERVICE

I, Victor Barreiro, hereby certify that I have this day served copies of the foregoing document on the attached list(s) of persons.

xx by depositing a true and correct copy thereof, properly enveloped with postage paid in the United States mail at Minneapolis, Minnesota

or

xx electronic filing

Docket No. E002/RP-24-67

Dated this 9th day of August 2024

/s/

_____

Victor Barreiro
Regulatory Administrator

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
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Generic Notice	Commerce Attorneys	commerce.attorneys@ag.state.mn.us	Office of the Attorney General-DOC	445 Minnesota Street Suite 1400 St. Paul, MN 55101	Electronic Service	Yes	OFF_SL_24-67_Official CC Service List
George	Crocker	gwillc@nawo.org	North American Water Office	5093 Keats Avenue Lake Elmo, MN 55042	Electronic Service	No	OFF_SL_24-67_Official CC Service List
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Sharon	Ferguson	sharon.ferguson@state.mn.us	Department of Commerce	85 7th Place E Ste 280 Saint Paul, MN 551012198	Electronic Service	No	OFF_SL_24-67_Official CC Service List
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Generic Notice	Residential Utilities Division	residential.utilities@ag.state.mn.us	Office of the Attorney General-RUD	1400 BRM Tower 445 Minnesota St St. Paul, MN 551012131	Electronic Service	Yes	OFF_SL_24-67_Official CC Service List
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Christine	Schwartz	Regulatory.records@xcelenergy.com	Xcel Energy	414 Nicollet Mall FL 7 Minneapolis, MN 554011993	Electronic Service	No	OFF_SL_24-67_Official CC Service List
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