



September 18, 2026

Ms. Leah Mohr
Executive Director
South Dakota Public Utilities Commission
500 East Capitol
Pierre, SD 57501

**Re: Leola Datacenter, LLC Electric Service Agreement – Supplement
Docket No. EL24-028**

Montana-Dakota Utilities Co. (Montana-Dakota or Company) now submits this supplemental informational filing to further support the Leola Datacenter, LLC (LDC) Electric Service Agreement (ESA) that was submitted by the Company as part of the initial filing made August 5, 2024 (Initial Filing). The Company also takes this opportunity to provide an update and to clarify the treatment of costs and revenues associated with the ESA.

Electric Service Agreement

While the Initial Filing was submitted over two years ago, the general terms and conditions of the ESA remain unchanged with the exception of the conditions precedent. Montana-Dakota and LDC agreed to extend the conditions precedent term from the initial date of December 31, 2024 to October 31, 2026, through an amendment signed by both parties on May 21, 2026.

The ESA included an estimated cost of Interconnected Facilities that includes both direct and indirect components (Project Costs). Upon approval of the ESA, Montana-Dakota and LDC will determine final design costs and begin the procurement process. The Project Costs include all costs of construction, including purchased materials and equipment, together with all labor directly assignable to this interconnection. All related contractor costs will also be included for work performed to interconnect LDC. Lastly, the Company applies an overhead component to capital projects to recover the administrative, general, and engineering services costs incurred for capital projects.

Montana-Dakota has collected the initial contribution in aid of construction from LDC and will collect the remaining amount following the approval of the ESA by the South Dakota Public Utilities Commission. In addition, the ESA includes a 'true up' provision that requires a refund to the extent that actual Project Costs are less than the amount

paid by LDC, or an additional payment required by LDC in the event Project Costs exceed the amount collected. The result is the assignment of the Project Costs for this customer will be borne by LDC alone and will not impact the cost responsibility of traditional customers.

Importantly, the contribution in aid of construction considers the associated income tax effects to ensure there is no net rate base impact.

Allocation of Costs

Montana-Dakota's allocation factors and methodology will remain unchanged from the long-held tradition used today. The current methodologies to assign cost causation are largely predicated on the following:

- Rate base investment required to provide service to each rate class;
- Number of customers; and/or
- Electric sales.

As previously noted, 100 percent of the cost to interconnect LDC is paid by LDC resulting in no rate base investment for the Company. As a result, the addition of LDC does not increase or decrease the rate base responsibility of other South Dakota customers. In addition, Montana-Dakota will not utilize its generation fleet to produce electricity for LDC nor will LDC utilize the Company's distribution assets through its operations.

LDC will utilize transmission facilities. To the extent transmission facilities are required to serve LDC, the Company will directly assign those costs, and recovery will be the responsibility of LDC. For all other transmission services, LDC will be charged for the use of those facilities consistent with other wholesale transmission customers utilizing Montana-Dakota's transmission facilities by paying the FERC approved transmission rate. South Dakota customers benefit today through the receipt of an allocated share of transmission revenues received from data center customers located in North Dakota through the Transmission Cost Recovery Rider Rate 59 based on South Dakota's share of integrated system investments.

The addition of LDC will add one customer to the overall customer count for South Dakota. However, LDC will be excluded from the number of customers used in the annual customer allocation calculations. The addition of one customer would be de minimis to the allocation results; however, it is important to remain consistent in the treatment of data center impacts across all allocation factors to ensure traditional customers are not negatively impacted.

Similarly, electric sales to LDC will also be excluded from the annual sales allocation calculations. Certainly, the sales volumes for data centers have the potential to

significantly impact the allocation results and, if included, may disproportionately change the cost responsibility for all other customers.

Regarding expenses associated with data center customers, Montana-Dakota attempts to specifically identify incremental direct costs related to the provision of service to data center customers. Each of those incremental costs will be tracked and the Company will not seek to recover those costs from traditional customers.

Taken together, this treatment ensures that costs directly attributable to LDC are assigned to LDC and are not recovered from traditional customers.

Customer Protections

Aside from the safeguards mentioned above, Montana-Dakota acknowledges that a recent section of South Dakota Codified Laws (SDCL), specifically SDCL 49-50-2, was established to ensure each data center reimburses its provider of electricity for all costs fairly attributed to the data center. The ESA clearly establishes separate terms and conditions for electric service. Those conditions address construction costs, service rates, and reimbursements for costs incurred to provide service. In addition, the ESA establishes further protections related to the recovery of ongoing costs, largely due to the materiality of the customer's specific energy requirements. The ESA provides significant credit protection in the event LDC fails to pay amounts due under the ESA, thereby reducing risk that costs attributable to LDC would be shifted to traditional customers.

Therefore, the Company has the provisions in place to fully meet the requirements under the new legislation.

Generation and Transmission Capacity

Lastly, the cost of procuring energy and capacity required to serve LDC will be the sole responsibility of LDC. LDC's energy needs will be purchased through the MISO market, and 100 percent of the energy costs will be passed on to LDC. Montana-Dakota will act as the MISO market participant for the LDC load. LDC is responsible for providing its load forecasts to the Company, and Montana-Dakota will submit those forecasts to MISO, administer the settlement process, and invoice LDC in accordance with the timing and terms described in the ESA.

To the extent LDC has a capacity need, Montana-Dakota will again coordinate with LDC to procure adequate capacity resources and will pass those capacity costs to LDC as well. As noted earlier, Montana-Dakota's generation fleet will continue to be designed to meet the needs of traditional customers and will not be built out for LDC capacity purposes.

MISO Emergency Situations

The ESA fully describes the provision of electric service and the impacts to LDC in a MISO Emergency Operations Event. LDC is subject to unlimited interruption of such event and is the lowest priority in a firm load-shed situation. Montana-Dakota commits to prioritizing higher-priority firm customers, such as critical public service and health-care facilities, before interrupting lower-priority loads when required by MISO directives, tariffs, operating procedures, or other reliability requirements.

Future General Rate Case Increase Requests

In the event Montana-Dakota files a general rate case to increase rates to traditional customers, the Company expects to propose rates using a methodology consistent with prior rate cases. Each rate base and income statement item related to a data center would be excluded from the calculation of the revenue requirement. Accordingly, Montana-Dakota would allocate costs within the class cost of service study using allocation factors that exclude data center activities. The final rates requested would therefore reflect the cost of providing services to traditional customers without the potential impacts of data center activities.

Please reach out with questions at 701.222.7855 or travis.jacobson@mdu.com.

Sincerely,

/s/ *Travis R. Jacobson*

Travis R. Jacobson
Vice President of Regulatory Affairs

Attachments

cc: B. Koenecke