Data Centers Bi-Weekly Update

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Emerging Themes

Investments & Market Activity

The data center buildout is exposing new bottlenecks that are reshaping how investors and utilities allocate capital

- NextEra acquires Dominion, highlighting a push toward vertically-integrated utilities to improve cost + speed of delivering power for data centers
- Exelon reduces distribution spending to limit customer bill increases while increasing transmission investment to address grid capacity constraints
- Anthropic partners with private equity giants to speed AI integration across portfolio firms
- NVIDIA's deal with Corning signals a shifts from copper to optical fiber in AI infrastructure, addressing efficiency constraints

Research & Technology

New analyses clarify data center impacts on grid reliability and economic development

- NERC issues rare alert on data centers' immediate risks to grid reliability, citing scale of load volatility rather than overall load growth
- Energy systems, esp. renewables, serving data centers create more construction/operational jobs per dollar than data centers themselves

New companies emerge to create clean power for data centers

- Ford and SoftBank Group are new entrants in the battery energy storage system (BESS) market to serve data centers
- Enhanced geothermal system (EGS) provider Fervo launches $1.9B IPO

Legislation & Policy

States and public utility commissions push for data center transparency and stronger regulatory frameworks

- 38 US states currently offer data center tax incentives; 28 are considering revising or pulling back their incentives
- OH lawmakers are forming a bipartisan data center committee to gather information on impacts of development
- WI's PSC approved a special rate proposal for Meta's Beaver Dam campus, while creating new transparency requirements and new standard rates for large loads
- PA' s PUC approved a new non-binding model large load tariff framework for its utilities to implement

Sustainability

Expansion of AI data centers leads to new environmental risks as well as opportunities to finance local priorities and the clean energy transition

- Data center cooling methods and manufacture of chips and other materials can lead to PFAS contamination and GHG emissions, highlighting the need for further research
- Google funds $1.1M water treatment infrastructure upgrades in Fort Wayne, IN to support water replenishment goals, local efficiency, and cost savings
- Big tech companies are leading purchasers of clean energy, via power purchase agreements (PPAs), while building new natural gas plants and exploring carbon capture and storage (CCS) projects

Investments & Market Activity

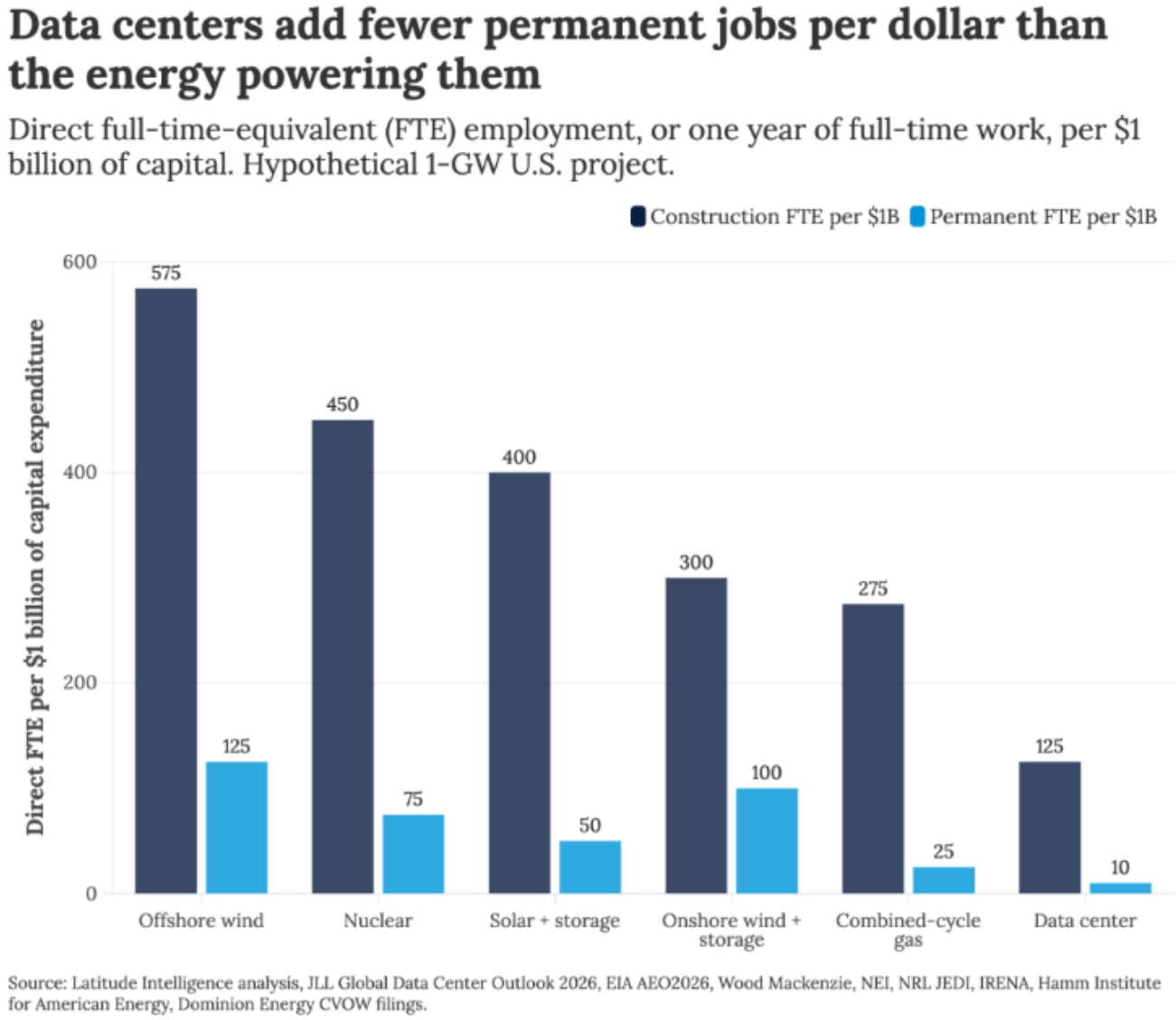
Article/Link	Summary	Potential Impact
NextEra Closes Landmark Deal to Acquire Dominion	**5/18/2026 (National):** NextEra Energy has agreed to acquire Dominion Energy in a roughly $67 billion all-stock deal, creating what would be the largest regulated electric utility in the world. The combined company will have massive scale across generation, grid infrastructure, and a large pipeline of power projects - positioning it to meet rapidly growing electricity demand, including from AI data centers. Building on earlier expectations, the finalized deal reinforces a shift toward large, integrated utility platforms capable of delivering both power generation and grid capacity at scale. Following the announcement, NextEra and Dominion face a complex regulatory review process estimated to take 12-18 months. See the official press release here, and Bloomberg commentary here.	**High** – The merger underscores how surging AI-driven electricity demand is driving consolidation in the utility sector, favoring large players that can efficiently build and finance energy infrastructure.
Wall Street Invests in Building the 'McKinsey of AI'	**5/5/2026 (National):** Anthropic is partnering with private equity giants Blackstone, Hellman & Friedman, and Goldman Sachs to launch a roughly $1.5 billion AI services firm designed to help companies implement AI directly into their operations. Rather than just selling software, the venture will embed engineers inside businesses to redesign workflows and deploy AI systems, tackling a key bottleneck in enterprise adoption: lack of implementation expertise. The strategy could create a scalable distribution channel for AI integration by leveraging private equity portfolio companies as built-in customers while developing repeatable "AI transformation" playbooks.	**High** – The venture signals a shift from selling AI tools to delivering full-stack AI transformation, where control over deployment and integration, not just models, becomes the driver of enterprise AI value.
NVIDIA Partners with Corning on Optical Fiber for AI	**5/6/2026 (National):** NVIDIA is investing up to $3.2B in glass manufacturer Corning to build three new U.S. manufacturing facilities in North Carolina and Texas dedicated to creating co-packaged optics for AI infrastructure. The deal centers on shifting away from traditional copper wiring towards optical fiber, which transmits data using light instead of electricity. This material transition enables significantly faster data transfer speeds and greater energy efficiency. By integrating optical technology closer to the chip level, Nvidia is positioning its systems to overcome key bottlenecks in bandwidth, latency, and efficiency that could otherwise limit future AI performance.	**Medium** – By replacing copper with optical fiber, NVIDIA is targeting a reduction in power consumption - one of the biggest constraints in scaling AI.
Exelon Shifts Spending Toward Transmission to Manage Costs	**5/7/2026 (National):** Exelon is adjusting its capital spending plan by reducing $350M in operational utility spending - primarily local distribution and customer-facing infrastructure - to help limit near-term electricity bill increases. At the same time, it is significantly increasing investment in transmission by approximately $1.5B, with expected rate base growth of 16% annually driven by reliability needs and large-load interconnection requests from customers like data centers. This shift reflects a broader industry transition where utilities are reallocating capital from customer-visible distribution upgrades to large-scale transmission, as meeting AI-driven demand increasingly depends on expanding grid capacity where costs can be spread regionally and offset by enabling cheaper power, rather than adding local infrastructure that directly raises consumer bills.	**Medium** – The spending shift reflects that the constraint in powering AI data centers is no longer building power locally but expanding transmission networks that can deliver large amounts of energy over distance.

Research & Technology

Article/Link	Summary	Potential Impact
Grid Watchdog Warns Data Centers Threaten System Reliability	**4/4/2026 (National):** The North American Electric Reliability Corporation (NERC) issued a rare Level 3 alert - its highest warning level - flagging that rapidly growing data center demand is creating immediate reliability risks for the power grid. The agency warned that AI-driven facilities can cause rapid, large swings in power demand, sometimes within seconds, and required grid operators to implement seven corrective actions around modeling, planning, and operations to better manage these loads. Entities across the grid must comply and submit mitigation plans by an August 3 deadline, underscoring the urgency of adapting system controls and standards. NERC also published non-binding risk mitigation guidelines for large loads, which will serve as a bridge until the essential actions become mandatory. See the guidelines here.	**High** – The warning shows that AI data centers are fundamentally changing load behavior, forcing grid operators to redesign how systems are planned to maintain stability.
Data Center Jobs Rising from Energy Market, Not Facilities Themselves	**5/6/2026 (National):** Data centers generate relatively few long-term on-site jobs (roughly 25 – 40 operators per 100 megawatts), but a new analysis by Latitude Media found that the buildout of electricity generation and grid capacity – rather than the data centers themselves – create more jobs per dollar spent, making energy the dominant source of labor demand in the AI buildout. Within that, renewable energy projects tend to be more labor-intensive than traditional fossil fuel generation, further amplifying job creation on the power side of the equation. Offshore + onshore wind, nuclear, solar, and battery storage generate far more labor because their capital costs are labor-intensive and their assets require long-term maintenance. See a visual breakdown of the analysis on slide 5.	**High** – As AI scales, the economic and employment benefits are increasingly tied to energy system expansion rather than the data centers themselves, with added benefit for renewables.
SoftBank and Ford Expand Into Battery Storage to Power AI Infrastructure	**5/14/2026 (National):** Ford announced the launch of Ford Energy, a new business repurposing excess EV battery manufacturing capacity to produce large-scale energy storage systems for utilities, data centers, and industrial customers. The move reflects a strategic pivot toward meeting surging demand for dispatchable energy storage driven by data center growth and grid reliability needs, with plans to deploy at least 20 GWh annually starting in 2027. (Source: ESG Today). **5/12/2026 (National):** SoftBank launched a new battery business focused on producing next-generation battery cells and energy storage systems to support the rapidly growing electricity demand from AI data centers. The company aims to scale to gigawatt-hour-level production by 2028, developing advanced, safer battery chemistries and integrating them directly with its AI data center buildouts to ensure stable and efficient power supply. (Source: ESG Today).	**Medium** – These moves show battery storage emerging as critical infrastructure for AI, with companies across tech and industrial sectors repositioning to solve the growing gap between power demand and grid reliability.
Fervo Raises $1.9B IPO to Scale Geothermal for AI Power	**5/6/2026 (National):** Fervo Energy raised $1.9 billion in an upsized IPO, valuing the geothermal developer at about $7.7 billion amid strong investor demand. The company focuses on enhanced geothermal systems to deliver always-on, carbon-free power, positioning itself as a key supplier for energy-intensive customers like AI data centers, with over 650 MW already under contract. Rising electricity demand from AI and electrification is driving interest in firm clean energy sources that can complement intermittent renewables.	**Medium** – The IPO highlights growing investor conviction that firm, always-on clean energy - like geothermal - will be critical to reliably powering AI-driven electricity demand at scale.

Data centers create fewer jobs than the energy sources needed to power them

- Energy generation is significantly more labor-intensive than data centers
- Energy employment impacts are indirectly tied to data center development
- ***Renewables*** and ***clean energy*** sources tend to create more jobs than fossil fuels for the same investment



Source: Data center jobs aren't at servers — they're in energy | Latitude Media

Legislation & Policy

Article/Link	Summary	Potential Impact
States Reconsider Data Center Tax Breaks	**5/2/2026 (National):** 28 of the 38 states currently offering data center tax incentives have legislation introduced to reduce or eliminate incentives, with some pushing data centers to pay more for energy or meet stricter environmental standards, as concerns grow over rising electricity costs, limited job creation, and lost tax revenue. For example, North Carolina officials flagged up to $57 million per year in lost revenue from electricity tax exemptions, while Minnesota eliminated such exemptions and Washington ended tax breaks on equipment upgrades. At the same time, states like Colorado are exploring new rules requiring data centers to meet clean energy standards or fund infrastructure, reflecting a growing push to extract more value and reduce system strain.	**High** – The shift signals a turning point where states are moving from subsidizing data center growth to actively managing its economic and energy costs, reshaping where and how AI infrastructure gets built.
OH Forms Bipartisan Data Center Committee	**5/13/2026 (OH):** Ohio lawmakers have said they are creating the Ohio Joint Data Center Committee - a bipartisan legislative committee to gather accurate information about data center development as the state faces a rise in proposals tied to AI growth. Legislators said they were frustrated by inconsistent or incomplete information from developers and utilities, prompting the creation of a body that will collect real data and provide guidance for future policy. The committee will examine impacts on electricity demand, water use, land use planning, tax incentives, and grid reliability. Lawmakers emphasized that Ohio needs data center investment but must avoid repeating mistakes seen in other states where communities felt blindsided or misled.	**Medium** – The move highlights a growing need for credible information on data center impacts, as policymakers scramble to cut through fragmented and often conflicting information to make informed decisions.
WI Regulators Approves Rates for Meta's Data Center Amid Criticism	**5/7/2026 (WI):** Wisconsin public service commission members approved Alliant Energy's proposed special rate agreement for Meta's $1 billion Beaver Dam data center campus while also criticizing the secrecy surrounding the deal. The project will use around 220 MW - equivalent to two power plants - and drew sharp criticism from regulators over a lack of transparency, including heavily redacted filings and confidential negotiations. Officials emphasized that data centers must fully cover their infrastructure costs and called for more disclosure to ensure accountability. See the Commission's new requirements here.	**Medium** – The decision highlights the need for stricter requirements for large data centers on transparency, standardized pricing, and full cost responsibility to avoid shifting burdens onto existing ratepayers.
PA Unveils Data Center Tariff Framework	**5/18/2026 (PA):** Pennsylvania's Public Utility Commission approved a non-binding model tariff to guide how large energy users like data centers should pay for grid infrastructure, aiming to protect existing ratepayers from rising costs. The framework suggests that utilities require large-load customers to cover transmission and distribution upgrades - potentially upfront - but each utility will still need to create and file its own specific tariff based on the model. The approach signals stronger consumer protections, though key implementation details remain unresolved. See the Commission's order here.	**Medium** – The move reflects a push to standardize data center costs allocation while still leaving utilities flexibility to implement and potentially compete on how those rules are applied.

Sustainability

Article/Link	Summary	Potential Impact
Data Centers & PFAS Pollution	**5/5/2026 (National):** Data centers, already under scrutiny for energy and water use, may also contribute to pollution from PFAS "forever chemicals," which are used in cooling systems, semiconductors, and other components. These chemicals do not break down in the environment and can accumulate in water, soil, and human bodies, but there is limited data, regulation, or reporting on their use and potential release from facilities. As AI infrastructure rapidly expands, researchers and advocates warn this largely unstudied risk could become a significant environmental issue.	**High** – PFAS contamination is another potential significant environmental risk from AI infrastructure, adding to the list of externalities that could shape regulation and siting of future data centers.
AI Boom Pushes Data Centers to Natural Gas Despite Clean Energy Goals	**5/11/2026 (National):** As AI data centers scale, companies are relying on renewable power purchase agreements (PPAs) to meet sustainability goals, and because renewable energy prices are the only energy sources whose costs tend to decline over time. But these contracts often don't deliver real-time, always-on power needed for operations. To bridge that gap, firms are increasingly turning to natural gas for reliability, while exploring carbon capture and storage (CCS) as a way to mitigate emissions from fossil fuel use. This creates a complex energy strategy where renewables handle accounting and long-term goals, while gas and emerging CCS solutions address immediate reliability constraints.	**High** – The energy transition is becoming a hybrid model, where renewables, natural gas, and carbon capture coexist to balance sustainability ambitions with the need for fast, reliable power.
Google's Goal to Replenish 120% of Data Center Water Consumption	**5/1/2026 (IN, National):** Google is pursuing a goal to replenish 120% of the water used in its data centers by 2030, in part by funding local water infrastructure projects, such as $1.1M-worth of upgrades to Fort Wayne, Indiana's wastewater treatment and filtration systems. These improvements would use sensors and recycling processes to reduce wasted water, lowering overall consumption while allowing treated water to be reused within the system - delivering efficiency and cost gains for the city and volumetric credits for Google to support its sustainability goals. The approach ties operational water savings directly to community-level water system improvements that offset usage from data center cooling.	**Medium** – The strategy highlights how data center water planning can be integrated with local infrastructure projects, using capital investment to drive efficiency gains and replenishment.
Meta's Renewable Energy PPAs	**5/5/2026 (AK):** Meta signed a 250 MW power purchase agreement (PPA) with EDP Renewables North America to support a new solar project in Arkansas. The deal will supply clean electricity to Meta's future data center campus in Little Rock, which is expected to be one of the region's largest tech infrastructure investments (Source: DCD). **5/14/2026 (OK, TX, MS):** Meta also signed 850 MW of new clean energy PPAs with renewable energy developer DESRI in Oklahoma (500 MW), Texas (200 MW), and Mississippi (150 MW). These deals expand Meta's partnership with DESRI to 2.5+ GW of contracted solar and battery storage projects across nine U.S. states. DESRI expects 1.1 GW of this portfolio to begin construction in 2026. The PPAs continue Meta's strategy of adding new renewable generation to support its rapidly growing AI and data-center footprint (Source: DCD).	**Medium** – Renewable PPAs are emerging as a primary mechanism for big tech to finance new clean energy projects and secure long-term power supply, linking data center growth directly to the development pipeline of renewable infrastructure.

Other Industry News

Article/Link	Summary	Potential Impact
AI "Compute Crunch" Hits Users With Limits	**5/1/2026 (National):** AI platforms are increasingly hitting usage limits as demand for compute infrastructure - chips, data centers, and power - surges beyond available capacity. For example, some users of Anthropic's Claude models reported hitting five-hour usage caps in just 20 minutes, while companies have scaled back features or access, including throttling heavy users and shutting down tools like OpenAI's Sora amid demand spikes. The strain reflects how both training and everyday use of AI models consume massive compute resources.	**High** – The compute crunch underscores how AI's rapid growth has physical limits that constrain how quickly the use of AI can scale.
FERC Criticizes PJM Governance Amid Data Center Power Surge	**5/13/2026 (National):** FERC Chair Laura Swett warned that the PJM grid operator may be "too big to function," at PJM's annual meeting in May, citing governance issues and declining confidence in its ability to manage rapid demand growth. The criticism comes as data center-driven electricity demand surges, straining capacity markets and exposing failures to procure enough power to meet reliability targets. Swett emphasized the need for faster decision-making and structural reform as PJM faces mounting pressure to add generation quickly and manage rising costs.	**Medium** – The remarks underscore that governance and market fragmentation are becoming critical barriers to scaling power grids fast enough for AI-driven demand.
IN Community Caught Between Coal and Data Center Boom	**5/14/2026 (IN):** In Jasper County, Indiana, a long-running coal plant slated for closure was instead kept online by federal intervention, even as plans emerged to build a nearby data center powered by a new natural gas plant. The gas facility would serve the data center - likely tied to Amazon Web Services - rather than the local community, raising concerns about continued fossil fuel reliance and limited local benefits. With little transparency from the utility, residents are grappling with overlapping developments that extend pollution risks while reshaping land use and energy infrastructure.	**Medium** – The situation shows how communities become the battleground for competing infrastructure priorities as data centers complicate the energy transition.
GA Data Center Water Use Sparks Backlash	**5/9/2026 (GA):** A major data center near Fayetteville, Georgia consumed nearly 30 million gallons of water through unmonitored connections, with the issue only discovered after residents reported low water pressure. The developer of the facility, QTS, was later billed about $150,000, but the incident exposed gaps in utility oversight, especially as demand surged during drought conditions when residents were asked to conserve water. The case has intensified concerns about how quickly expanding AI infrastructure is straining local water systems and outpacing existing monitoring and regulatory frameworks.	**Medium** – The story highlights how weak oversight is a key risk in scaling data centers, forcing utilities and regulators to modernize monitoring and governance systems alongside growth.

Thank You

Let’s make bold changes together

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