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Energy for the New Data Age

Industry Dynamics

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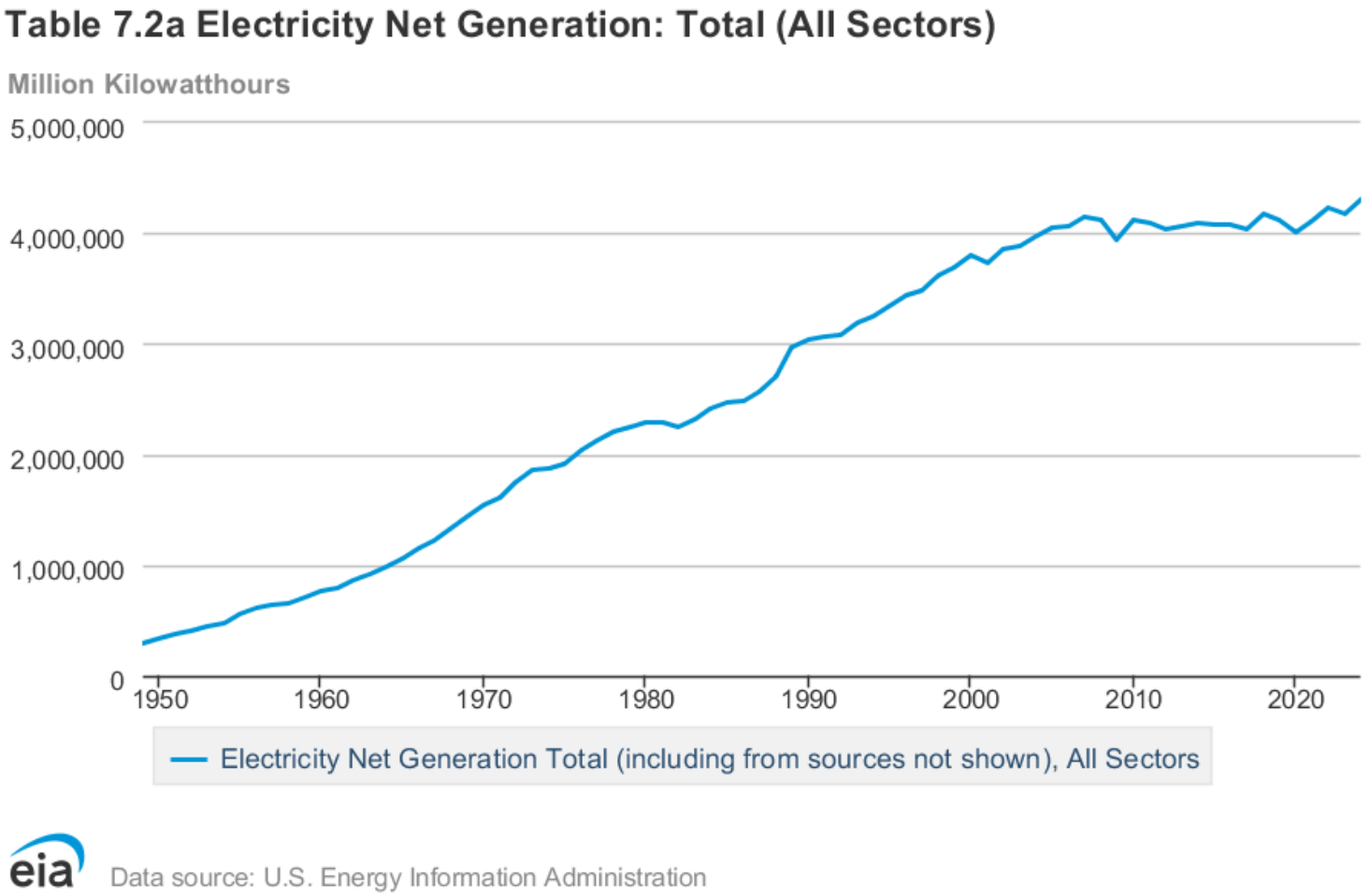
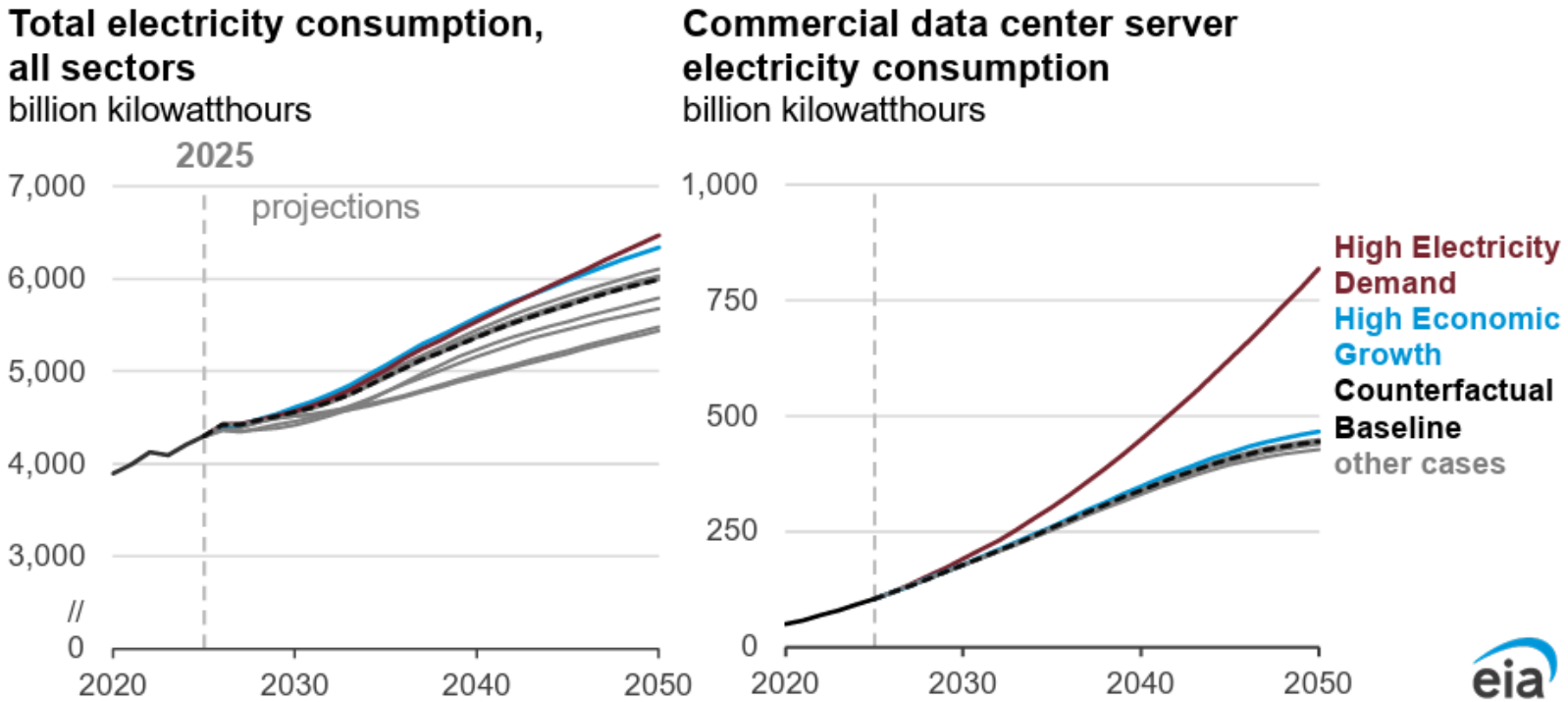
Industry Dynamics: Historical Context

- Electricity demand has been relatively flat since the beginning of the 2000s. That has only recently changed.



Industry Dynamics: The AI Boom Is Driving Increased Power Demand

- In a break from the recent trend of persistently low or flat load growth, the AI race is spurring a significant increase in demand for power.
- According to a recent EIA report, "After 15 years of nearly flat U.S. electricity consumption, demand has increased by 2.1% per year, on average, over the last five years. [EIA projects] electricity consumption will continue growing through 2050 at a rate of 0.9% to 1.6%, with data center server energy use a major factor."

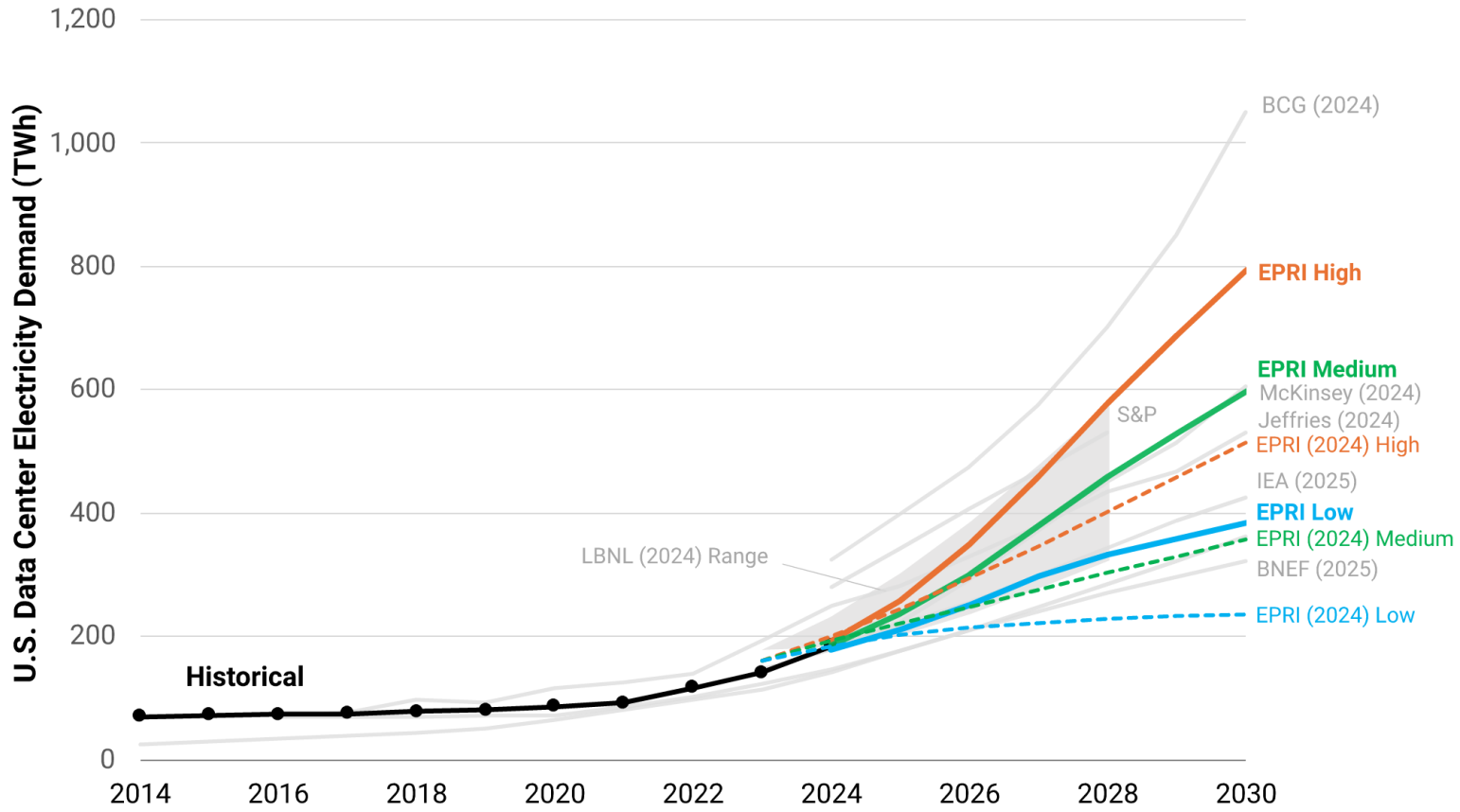


Data source: U.S. Energy Information Administration, *Annual Energy Outlook 2026*, April 2026

Industry Dynamics: Projections for Future Demand Growth Vary

- While there is widespread agreement that data center growth is pushing up demand for power, forecasts for future demand growth vary considerably.

Comparison of U.S. data center annual electricity consumption projections

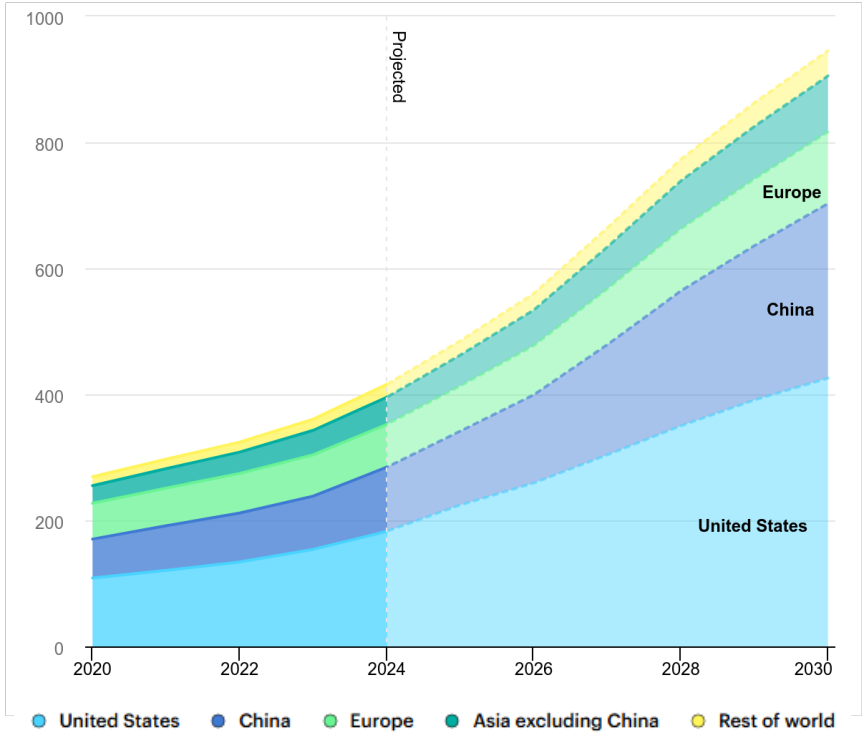


Data source: EPRI, *Powering Intelligence 2026*

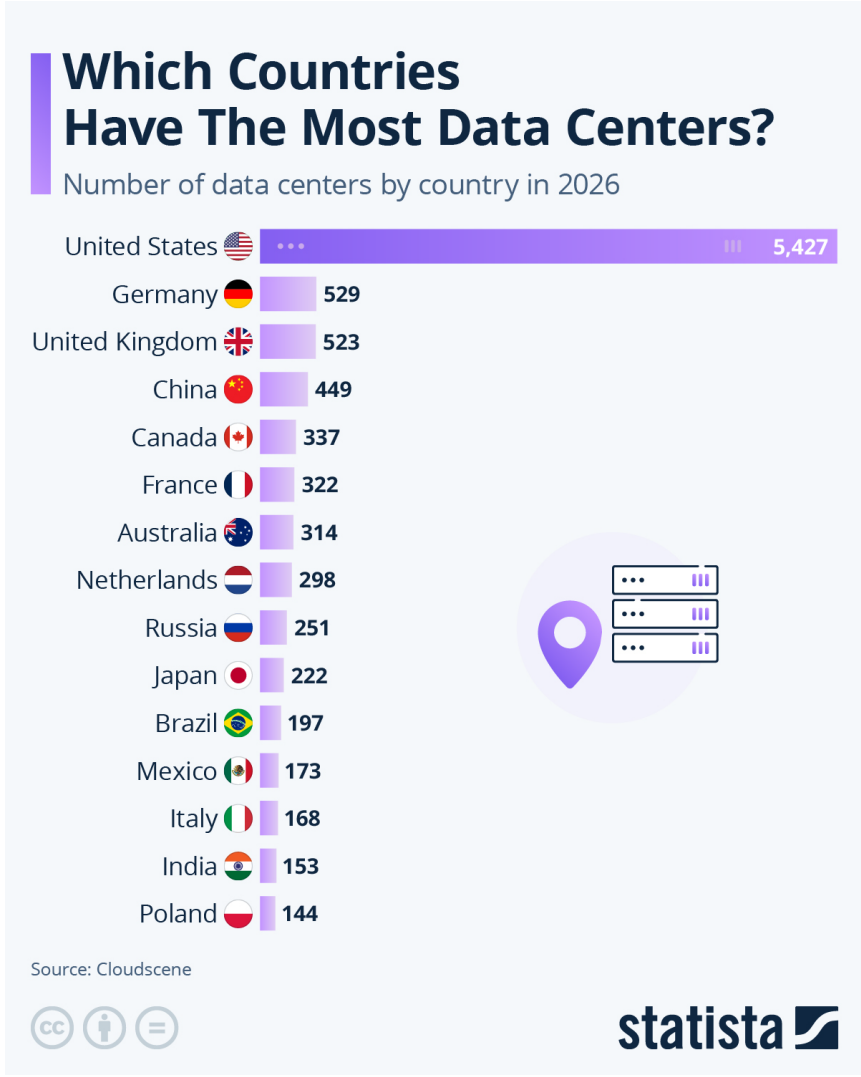
Industry Dynamics: The U.S. Is the Global Leader in Data Centers

- The US currently has a strong position in the AI race.
- Continued data center growth represents a major area of strategic economic opportunity for the US.

Data center electricity consumption by region (TWh)



Data source: IEA (2025)

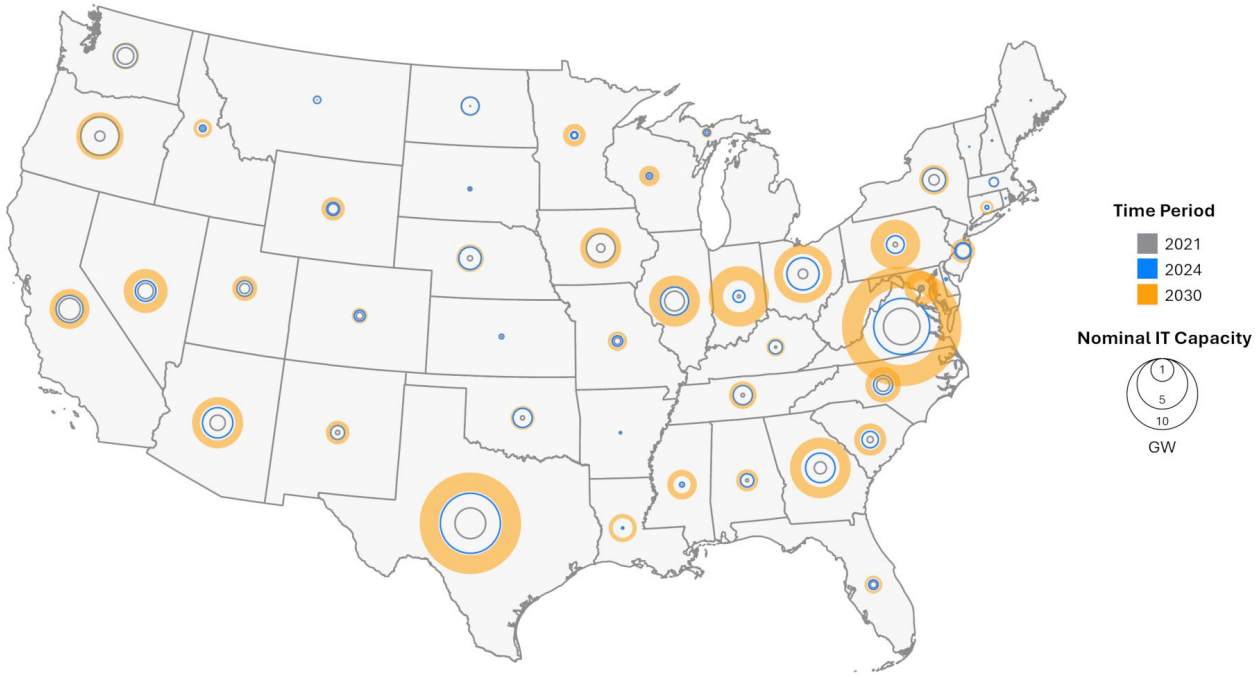


Data source: Statista

Industry Dynamics: Significant Regional Variation in Demand

- Within the US, there is considerable variation in where data center development is occurring, reflecting differences in power availability, state policies, and other factors.

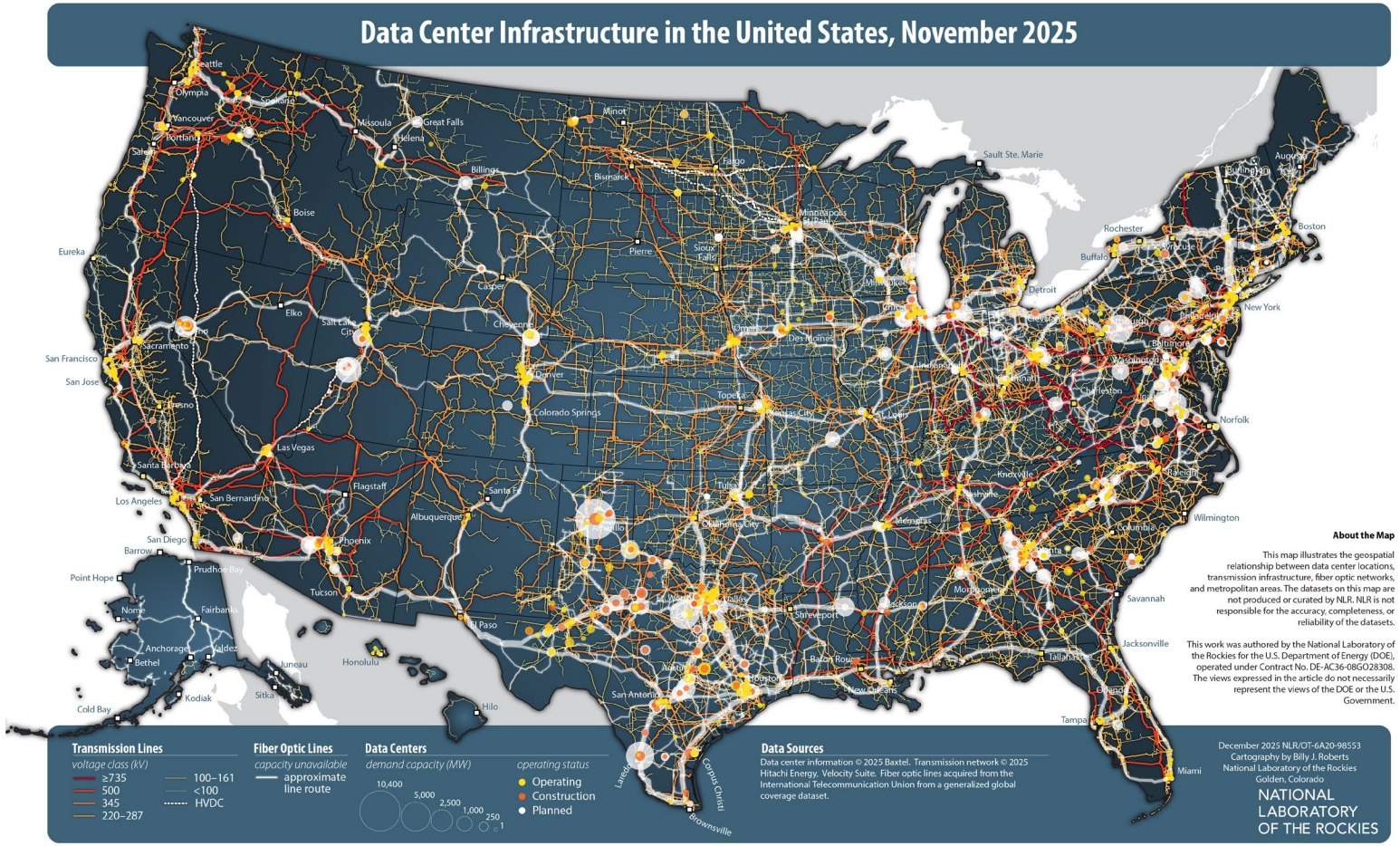
State-level data center nominal IT capacity (GW)



Data source: EPRI, *Powering Intelligence 2026*

Industry Dynamics: Data Centers Are Spurring Major Infrastructure Build-Out

- To serve growing data center demand, significant infrastructure build-out is needed, including electric transmission and generation facilities.



Source: National Laboratory of the Rockies

Surging Demand Puts Pressure on Established Structures

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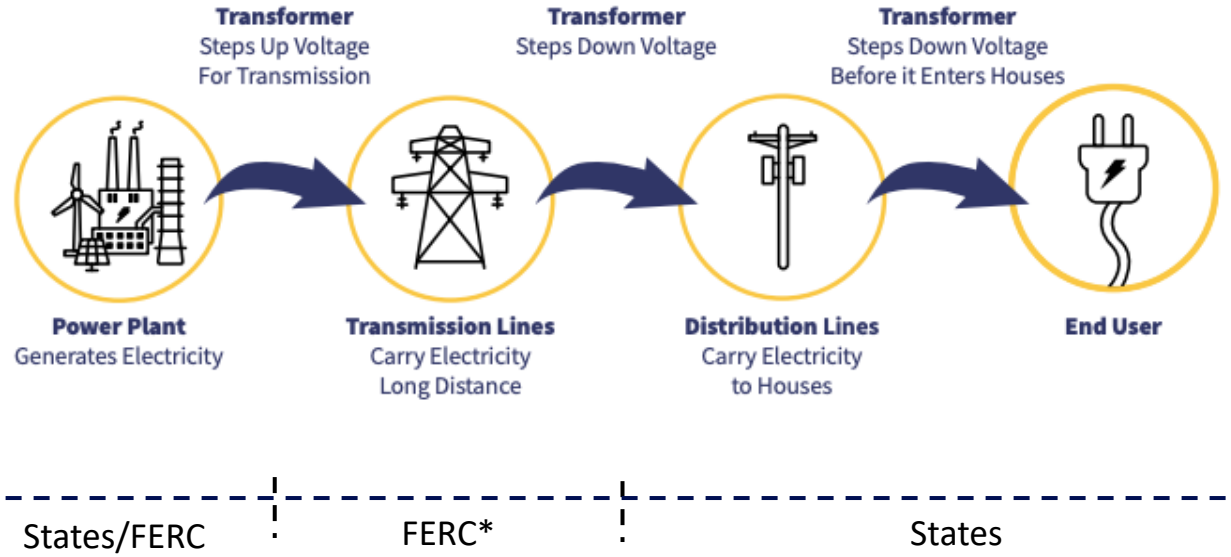
Key Structures: Industry Segments and Jurisdictional Divides

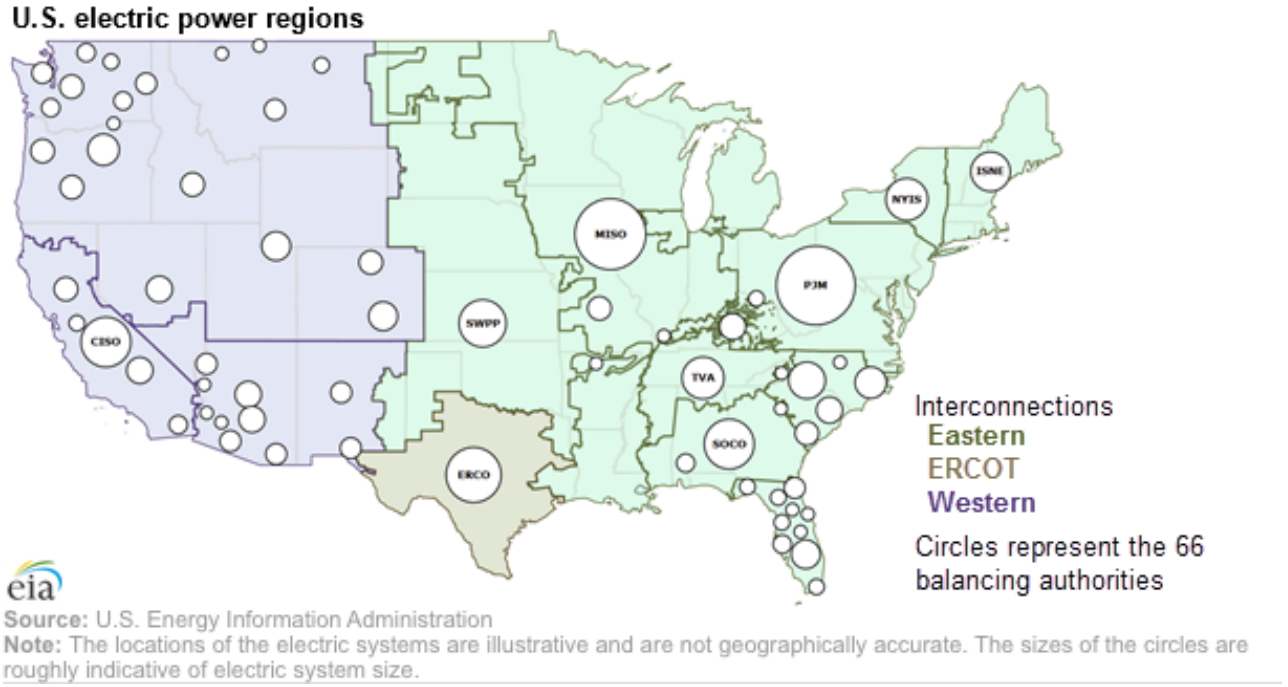
- The electric system includes three main segments: (1) generation, (2) transmission, and (3) distribution.
- Jurisdictional framework:
  - Under the Federal Power Act, the Federal Energy Regulatory Commission (FERC) has jurisdiction over transmission of electric energy in interstate commerce, wholesale sales (i.e., sales for resale), and hydroelectric facilities.
  - FERC and the North American Electric Reliability Corporation (NERC) also have authority regarding the reliability of the bulk power system.
  - States retain jurisdiction over most generation and distribution facilities and retail sales (i.e., sales to end-use customers).



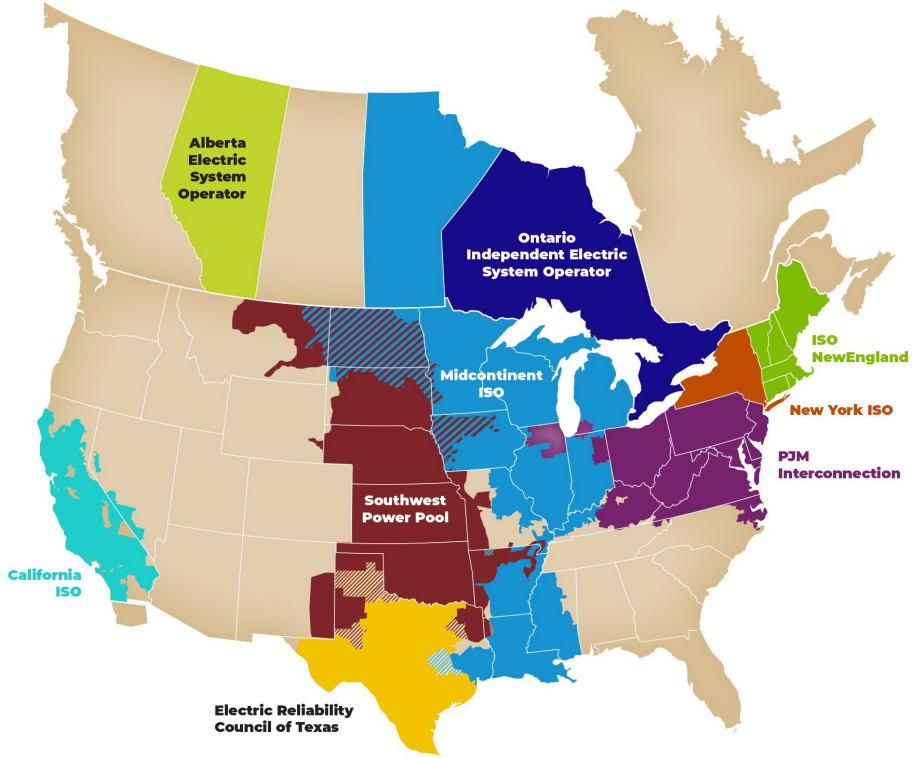
Adapted from FERC Electric Primer

Key Structures: Regional Organizations

- Although individual utilities are responsible for providing service within their own territories, important regional organizations are responsible for balancing supply and demand in real time, maintaining grid reliability, planning regional and interregional transmission projects, and (in much of the country) operating organized wholesale markets.



Source: EIA



Source: ISO/RTO Council

Key Structures: Established Processes Under Strain

- Power supply is emerging as a limiting factor for data center development, putting the spotlight on long timelines for grid interconnection and electric infrastructure development in much of the country.
- The rapid growth of large computational loads thus is calling into question a variety of established processes within the electric industry, including:
  - Interconnection processes,
  - Load forecasting,
  - Resource adequacy processes,
  - Transmission planning and competition,
  - Cost allocation frameworks,
  - Reliability standards, and
  - Retail choice and customer self-supply options

Illustrative Infrastructure Development Timelines

	Transmission	Generation	Load
YEARS TO BUILD	7–10	4	1.5–3

Source: MISO

Federal and Regional Policy Developments

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Federal Policy: DOE/FERC Action on Large Load Interconnection

- The Secretary of Energy in October 2025 directed FERC to initiate a rulemaking on the interconnection of large loads to the transmission system.
- On June 18, 2026, FERC issued “show cause” orders to the six jurisdictional grid operators, preliminarily finding that their tariffs do not have adequate procedures to interconnection large loads.
  - The orders focus on five categories of reforms to be addressed:
    1. Efficiency and clear rules for transmission service application and study processes, including consideration of alternative transmission technologies.
    2. Implementing safeguards to protect against cost shifts and requiring transparency regarding network upgrade costs.
    3. Developing clear rules to accommodate co-location arrangements and behind the meter generation.
    4. Offering new transmission services for flexible large loads.
    5. Developing study processes and interconnection service for generating facilities serving “electrically proximate” or co-located large loads.
  - The orders require the grid operators to either explain why their tariffs are just and reasonable or propose revisions. They also must provide informational reports (in 30 days) on generation adequacy to serve large loads.

Federal Policy: Other Developments

- President Trump in March 2026 announced that major tech companies were signing a “Ratepayer Protection Pledge,” in which the companies agreed to:
  1. Pay for generation resources and electricity needed to satisfy their energy demands (and work to add capacity),
  2. Pay for new power delivery infrastructure upgrades they require,
  3. Negotiate separate rate structures with utilities with stranded cost protections,
  4. Invest in local communities, and
  5. Coordinate with grid operators and make backup generators available when possible.
- Reliability reforms:
  - In May 2026, NERC issued a Level 3 Alert to address reliability concerns associated with data centers.
  - NERC is developing new a new registered entity category for “computational load entities” and reliability standards.
- Congress also is considering various proposed bills to address power demand from data centers.

Regional Markets: PJM Reforms

- PJM's 2027/28 Base Residual Auction cleared at the $333.44/MW-day price cap with a ~6,500 MW deficit. Following that auction and at the urging of the Trump administration and a bipartisan group of governors of PJM states, PJM is pursuing reforms to its resource adequacy construct and interconnection processes, including:
  - A backstop procurement process to meet data center demand growth,
  - Load forecasting improvements,
  - Expedited interconnection processes for load that brings its own new generation and state-sponsored generation,
  - A "connect and manage" framework for large loads that do not bring their own generation,
  - Continued use of a "price collar" for upcoming capacity auctions, and
  - Broader rethinking of PJM's capacity market framework.
- Additionally, FERC in December 2025 directed PJM to revise its rules regarding co-location arrangements.
  - FERC required PJM to allow transmission customers serving co-located loads to choose from four transmission service options, including a new interim non-firm transmission service and new "contract demand" options.
  - FERC also required PJM to limit the use of netting through the "behind-the-meter-generation" model and to assess regulation and black start service charges to co-located load on a gross demand basis.

Affordability Concerns and State Policy Developments

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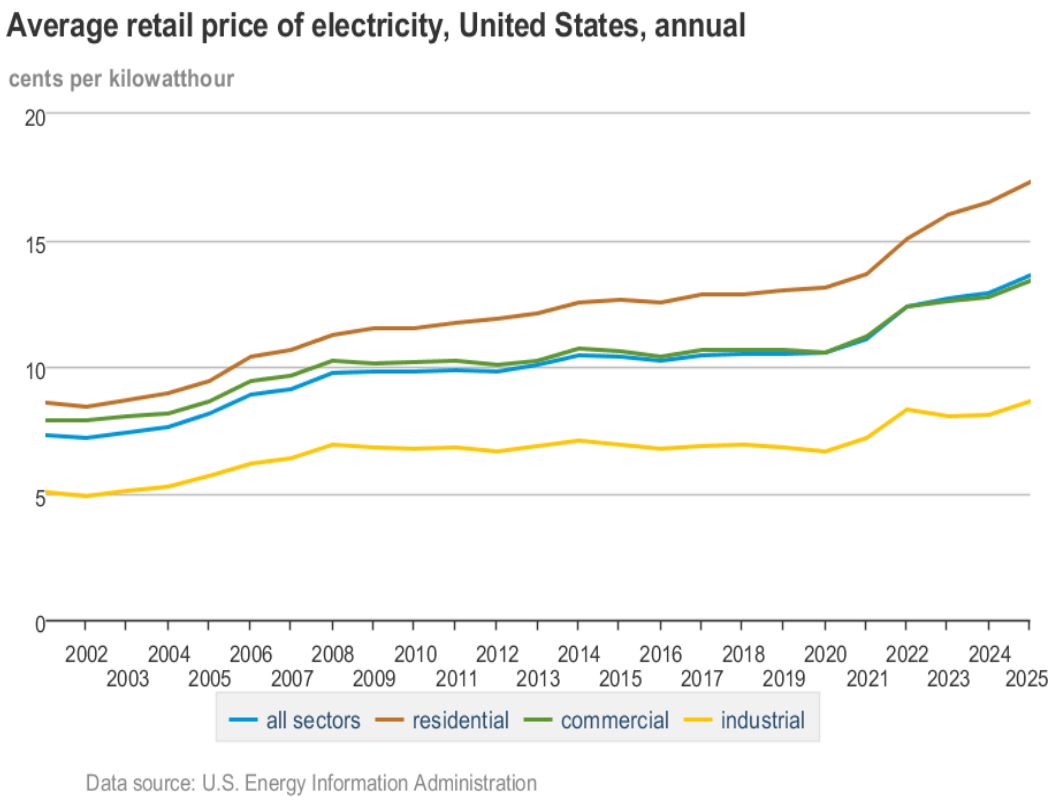
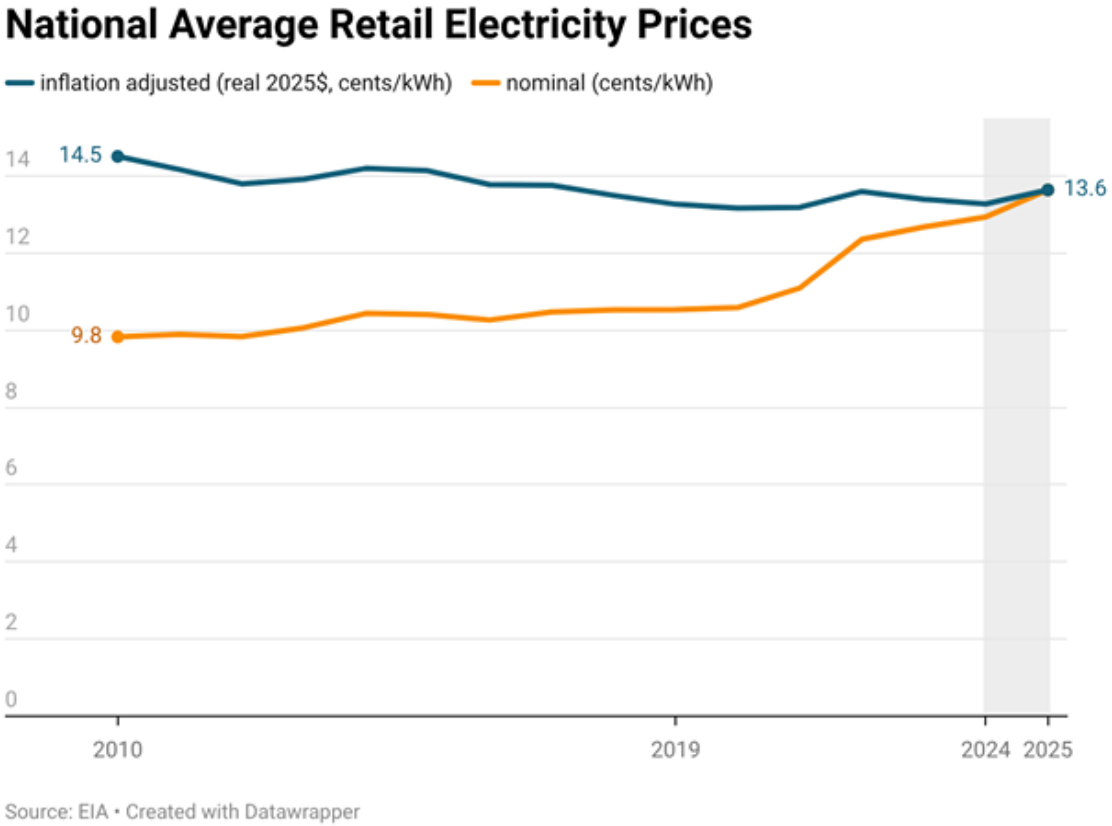
Affordability Concerns: Power Prices Have Increased in Recent Years

- After remaining largely flat for several years, average retail power prices have begun to increase.

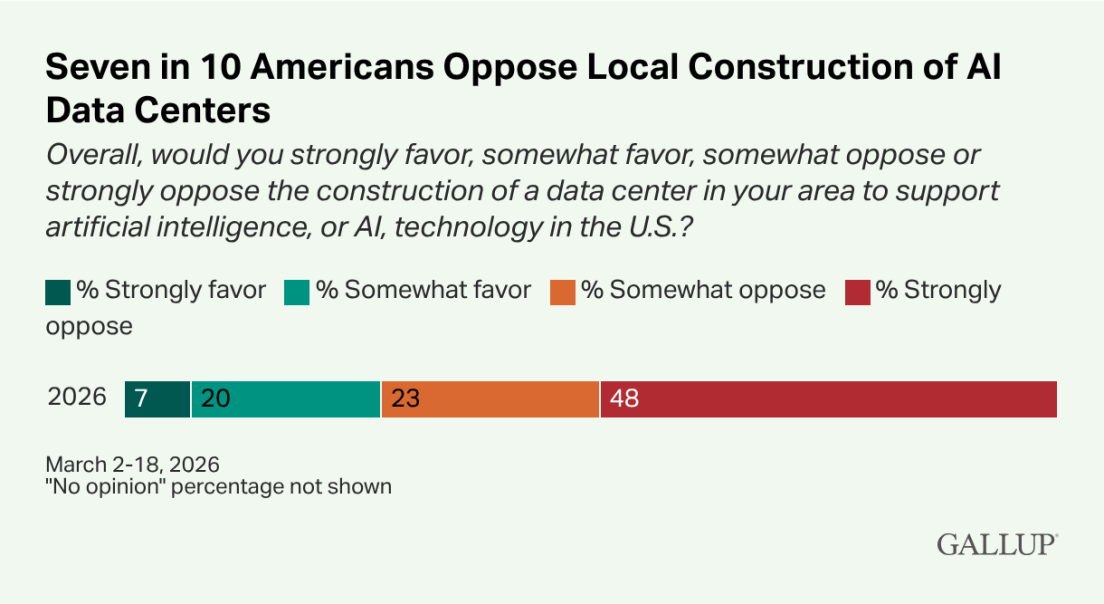




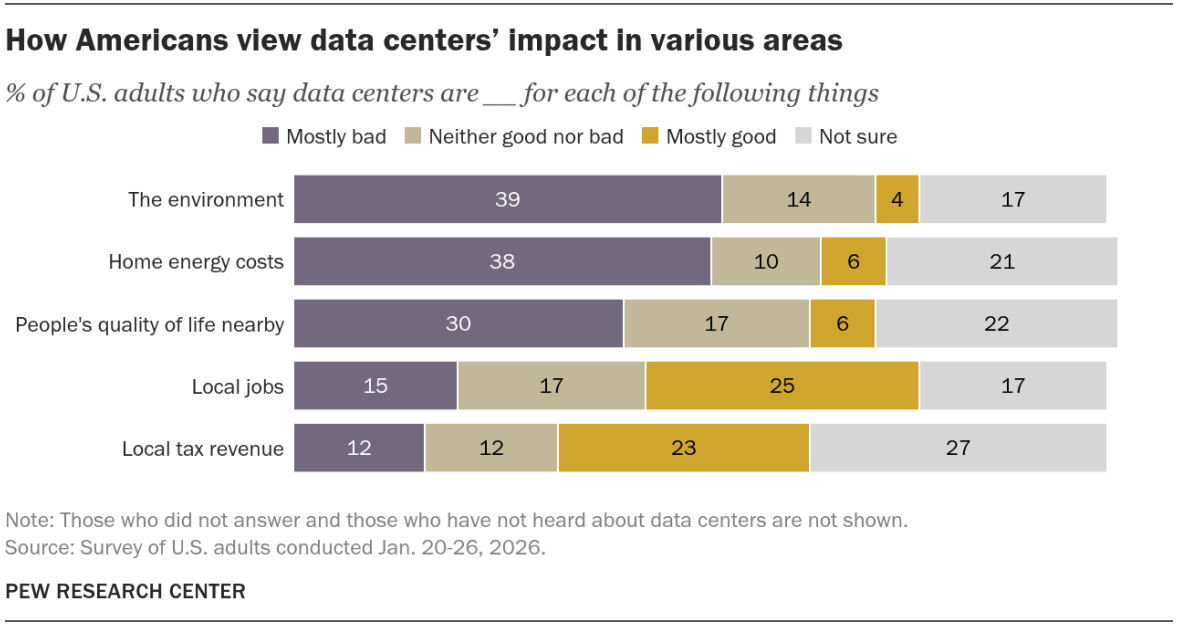
Source: Lawrence Berkeley National Laboratory

Affordability Concerns: Political Concerns

- Public polling indicates growing opposition to data center development, with impacts on power prices emerging as a significant area of concern.



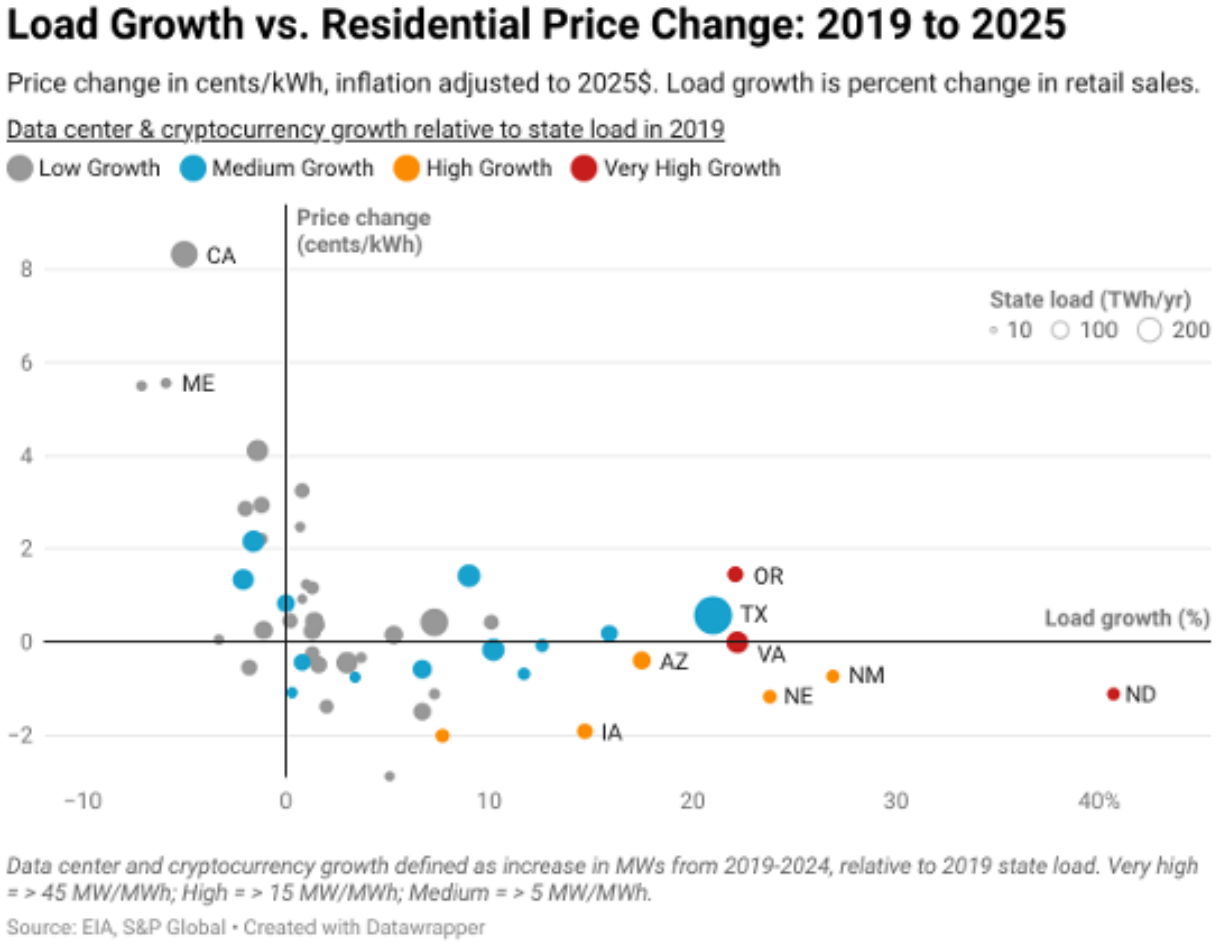
Source: Gallup



Source: Pew

Affordability Concerns: The Effect of Data Centers on Power Prices

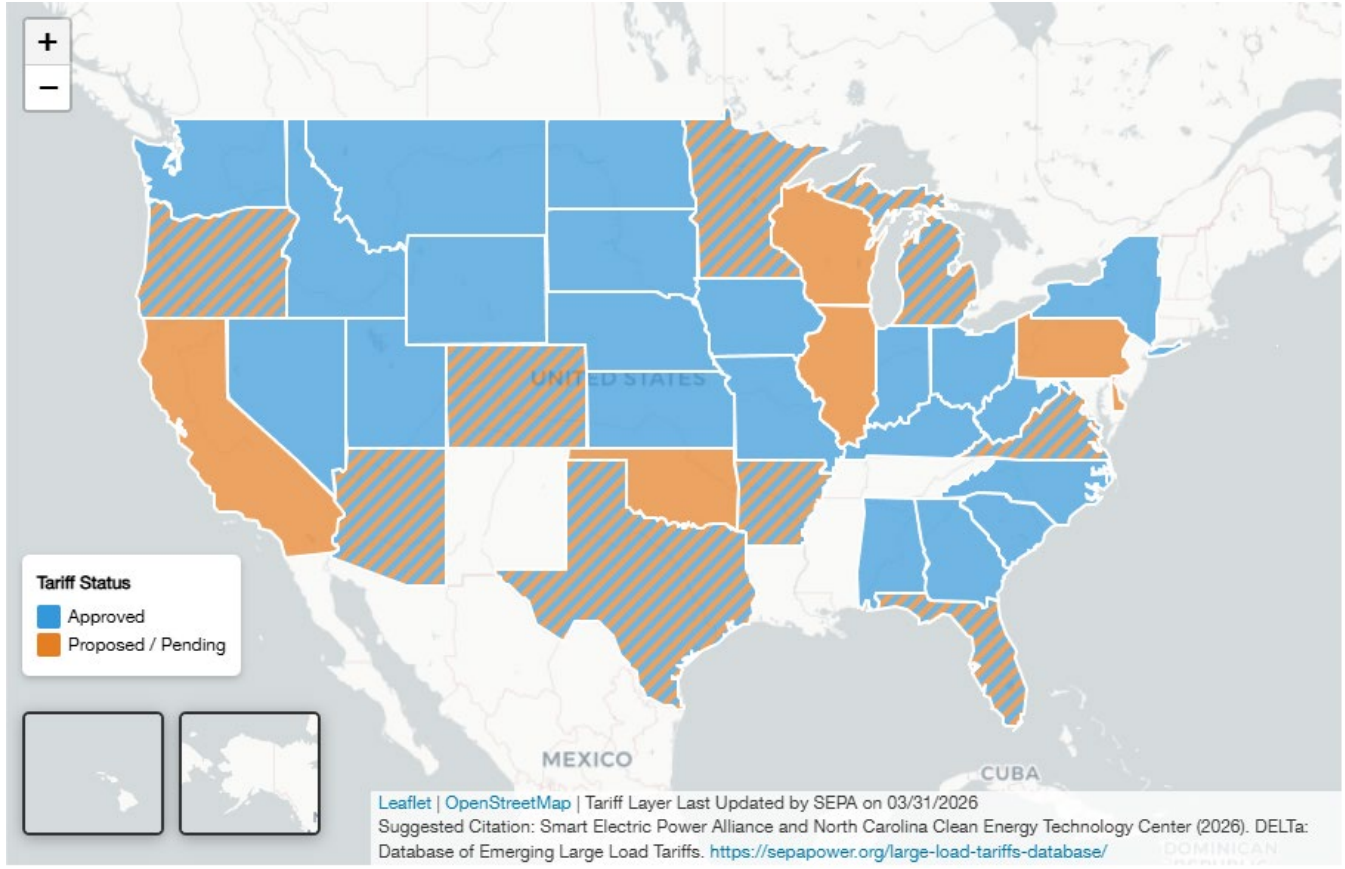
- There is significant debate over whether increases in power prices are being driven by data center demand growth.
  - Critics argue that increased demand from data centers is driving up prices and infrastructure costs for other customers.
  - Others attribute price increases to other factors (such as inflation, fuel prices, an aging grid, and public policy programs) and argue that data centers can put downward pressure on rates by making significant contributions to the embedded fixed costs of the system.
- Political leaders at the state and federal level are increasingly focused on energy affordability and have been actively raising concerns about the impact of data centers on power prices.



Source: Lawrence Berkeley National Laboratory

State Policy: Increased Use of Large Load Tariffs

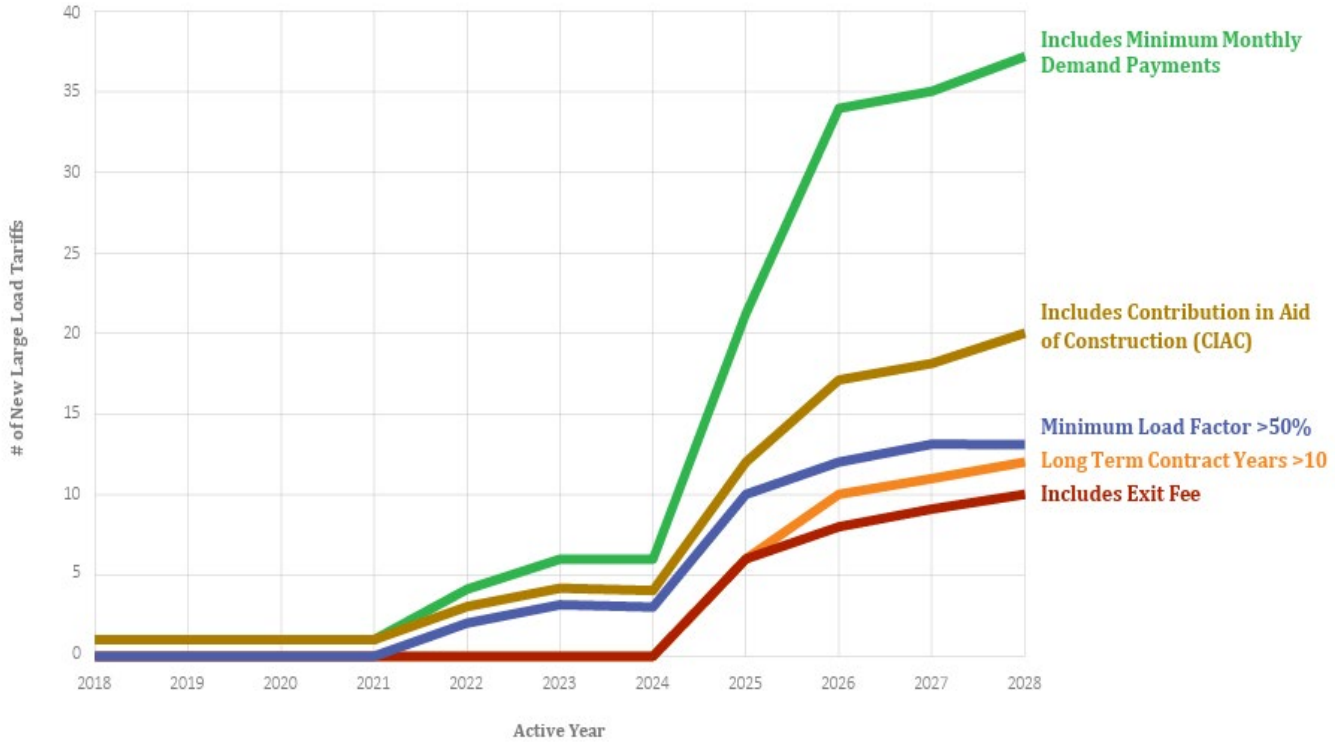
- States are increasingly requiring utilities to adopt large load tariffs.



Source: Database of Emerging Large-Load Tariffs

State Policy: Increased Use of Large Load Tariffs and Other Policy Tools

- Large load tariffs increasingly include a variety of protections against stranded costs and cost shifts.
- States also are adopting other policy levers to address large load growth, including interconnection standards, new self-supply options, clean energy procurement requirements, and disclosure requirements.
- Some states are considering data center moratoriums and rolling back tax breaks or other economic incentives.



Source: Energy + Environmental Economics

Trends in Power Supply Transactions

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Transactions: Structuring Options

- Data center power supply options are continuing to evolve and often involve bespoke solutions with multiple different tools in play. Options include:
  - Powered land transactions;
  - Energy supply agreements and CIACs with utilities and public power entities;
  - Build-own-transfer arrangements;
  - Long-term power purchase agreements (virtual or physical, direct or “sleeved” through a utility);
  - Joint development agreements;
  - Equipment procurement and financial backstop agreements; and
  - Joint ventures
- Hyper-scalers are considering a variety of partnership models and potential counterparties (investor-owned utilities, public power entities, electric cooperatives, merchant developers, data center developers, etc.)
- Grid interconnection delays are prompting interest in alternatives and bridge solutions, including microgrids and self-supply options

Transactions Terms: Key Areas of Focus

- Key terms of data center power supply transactions include:
  - Cost responsibility, rate design, and community / ratepayer protection;
  - Credit risk and credit support;
  - Construction milestones, counterparty risk and delay mechanics;
  - Firmness and reliability of power supply;
  - Failures and liquidated damages;
  - Power supply ramp schedules;
  - Interplay with behind-the-meter and alternative sources of power;
  - Contract duration and flexibility in scope of service;
  - Regulatory approvals and framing; and
  - Termination fees, mitigation and stranded cost responsibility.

QUESTIONS

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FULL SCHEDULE

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Session 1
International Trade in a Volatile World: Accounting for Sanctions and Tariffs in Business Decisions and Contracts

Friday, June 12
12 pm CT

Session 2
Energy for the New Data Age

Monday, June 22
1:30 pm CT

Session 3
AI Challenges and Opportunities in the Legal Space

Friday, June 26
12 pm CT

Session 4
US Supreme Court Term in Review

Tuesday, June 30
3 pm CT