

U.S. utilities: AI's rise powers growth, but local opposition and affordability pressures raise project risks



Donovan Escalante
Sustainability
Research Analyst

Key takeaways

- Growing electricity demand from the development of artificial intelligence (AI) is highly concentrated geographically in the U.S., with around half of planned AI data center capacity additions falling within the service areas of the top five utility holding companies.
- Stage of development and quality of data center projects vary. Around 72% of new data center capacity planned for the early 2030s have yet to begin construction and approximately 30 gigawatts (GW) of projects are proposed by sponsors with no prior experience.
- Because some data center plans are unlikely to materialize, it's critical to consider the quality of data center projects when assessing how these projects may contribute to a utility's growth.
- Community opposition to AI data centers and related state-level legislative efforts could increase construction delays and project cancellations.

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Introduction

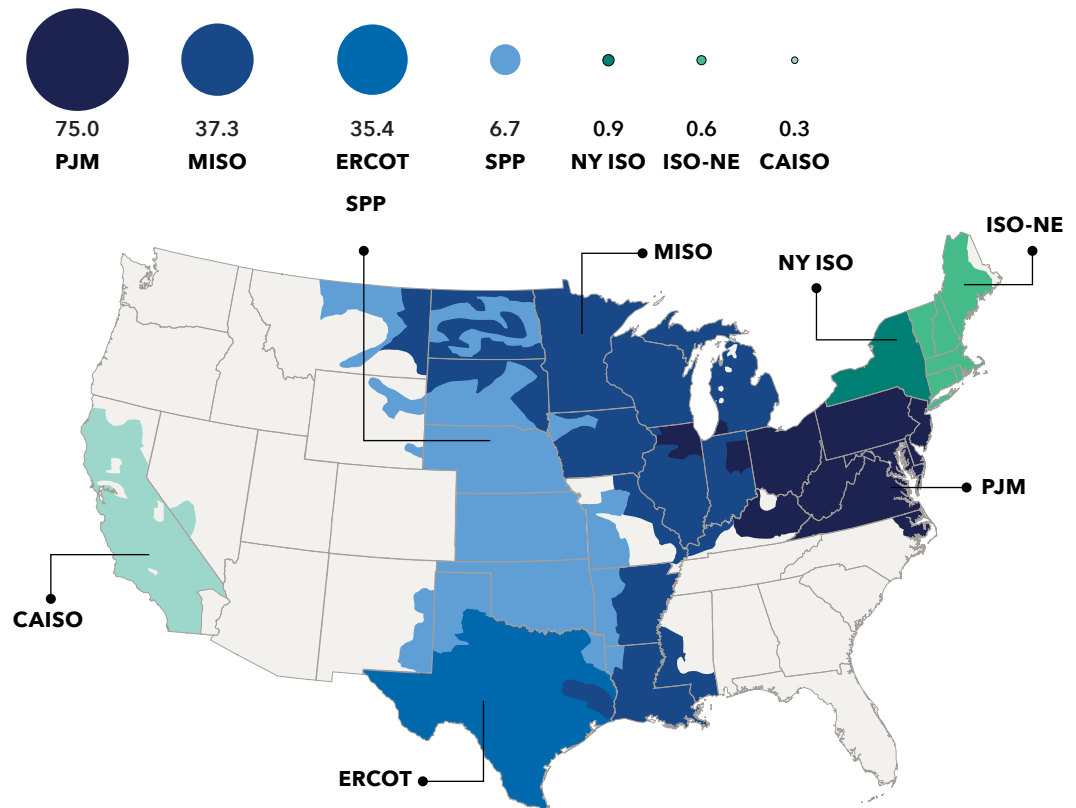
A small group of electric utilities and independent power producers (IPPs) is positioned to capture a disproportionate share of U.S. data center load growth.¹ However, with about 72% of the data center pipeline still at an early stage, investors need to assess which projects are most likely to be completed, particularly as affordability pressures and community opposition increase execution risk. Our Sustainability and Governance team's proprietary mapping analysis helps investors assess utilities' relative exposure to data center growth and potential execution risks.

Examining hyperscaler, neocloud, and colocation projects by their development stages and customer mix,² we have found the AI-driven boost is likely to disproportionately benefit a limited set of utilities and IPPs over the rest of the sector. The top five holding companies are expected to account for roughly half of data center load growth in the U.S. through 2032, with the top 15 accounting for around 80%.

Data center clusters

AI-related power demand is highly concentrated

Data center capacity additions by balancing area (GW)



Sources: Capital Group, with data from SemiAnalysis, as of January 2026. PJM refers to PJM Interconnection, the regional grid covering all or parts of 13 states in the Mid-Atlantic and the District of Columbia. MISO refers to the Midcontinent Independent System Operator, which operates the grid across 15 states in central U.S. and the Canadian province of Manitoba. ERCOT stands for the Electric Reliability Council of Texas, the grid operator in the state of Texas. SPP stands for the Southwest Power Pool, which operates a regional grid in all or parts of 17 states in central and southern U.S. NY ISO refers to the New York Independent System Operator, the grid operator in New York State. ISO-NE refers to ISO New England, the operator of the regional grid. CAISO refers to California ISO, the grid that covers most of California and a small part of Nevada.

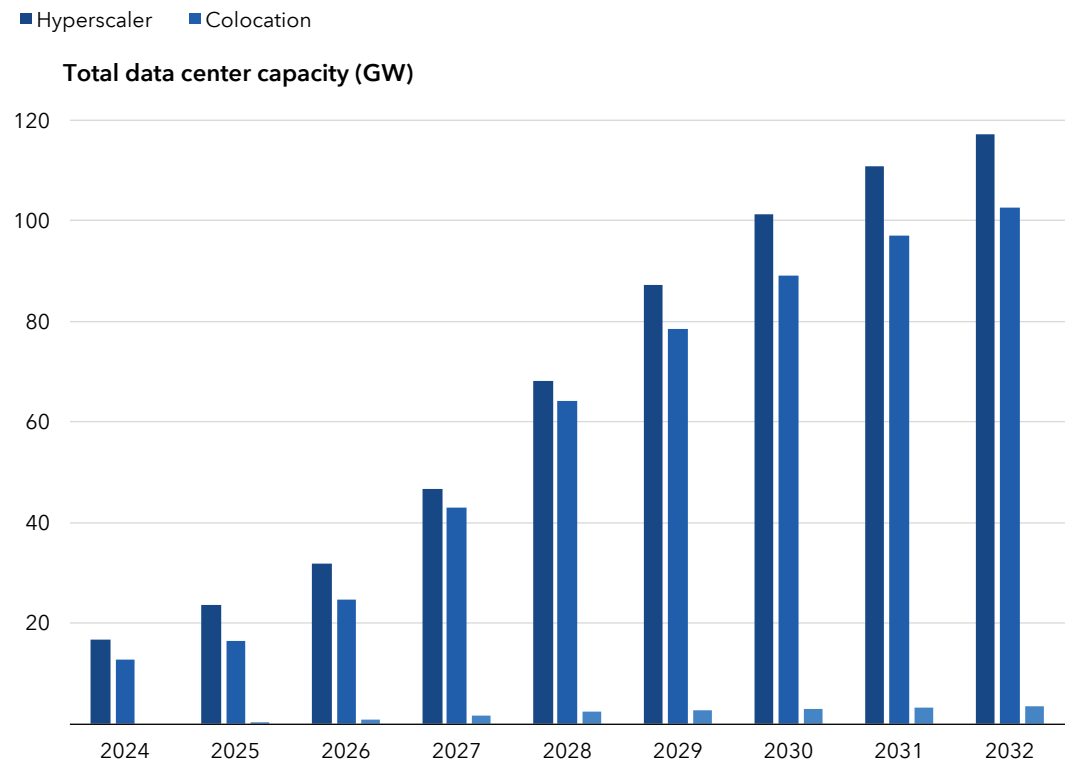
AI data center pipeline: It's not all about the size

Regulated utilities make a profit by earning an approved return on investment. Investment to expand the electricity system to accommodate AI-driven demand should support higher earnings and cash flow growth. But utilities face challenges in planning for future growth given significant uncertainties over the share of data center projects that will actually be completed.

Developers in the U.S. plan to expand data center capacity from 40 GW in 2025 to more than 220 GW by the early 2030s. Yet, 161 GW (72%) of that new capacity is not yet under construction, and roughly 30 GW is tied to projects from developers with no operating assets or confirmed tenants, according to our dataset. With the help of the database, we can evaluate quality of AI data center projects to which a utility has exposure on a case-by-case basis.

Hyperscale growth

U.S. data center capacity is projected to grow more than five times by the early 2030s

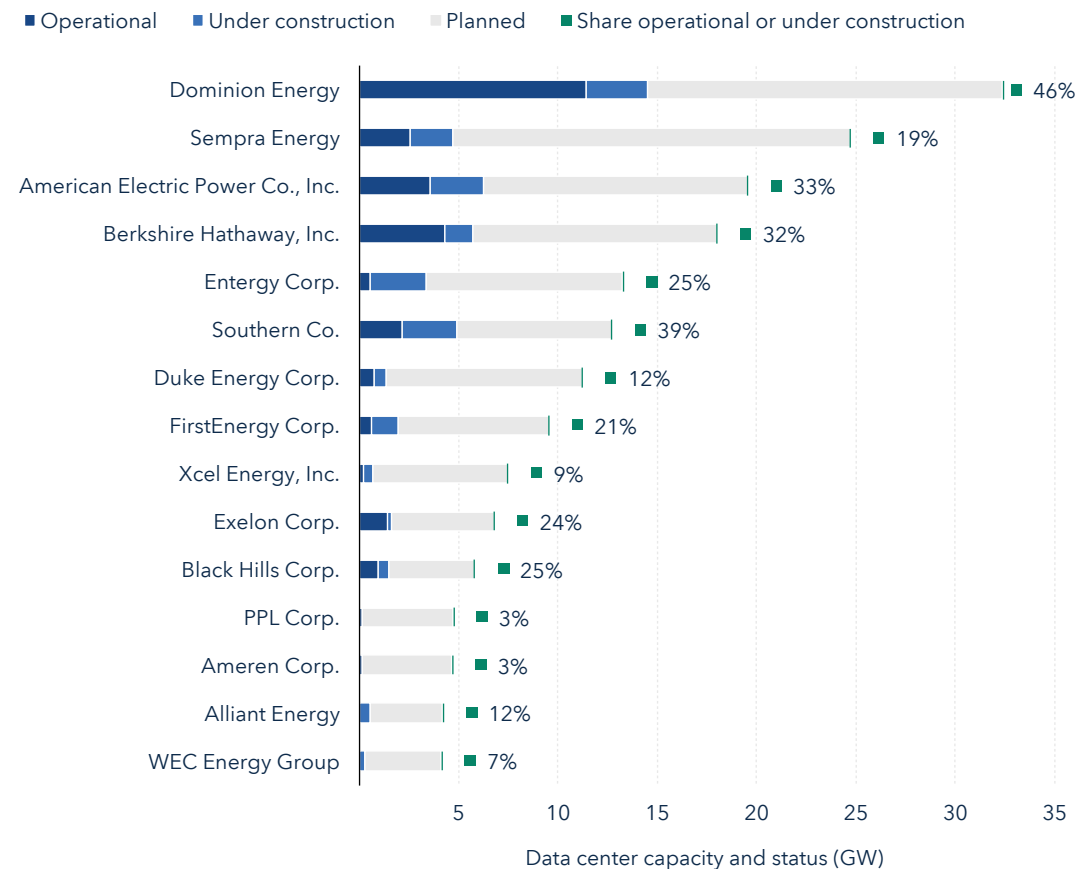


Sources: Capital Group, with data from SemiAnalysis, as of January 2026. Data for 2024 and 2025 were actual, and data for 2026 onward are forecast by SemiAnalysis based on announced plans from data center developers. Hyperscalers refer to large technology companies that develop and operate large data centers. Neocloud refers to specialized cloud infrastructure providers dedicated to AI workloads. Colocation data centers lease space for hardware that customers own.

Our analysis shows that Dominion Energy’s service territory has the most advanced project pipeline, with 46% of developer-planned capacity through 2032 already operational or under construction. Other utilities with relatively advanced projects include Southern Company (39%), American Electric Power Co. (33%) and Berkshire Hathaway (32%). By contrast, some utility service territories have substantial announced development plans, but only a small share of that capacity is currently operational or under construction.

Real or hallucination?

The state of completion of data center pipelines varies significantly



Sources: Capital Group, with data from SemiAnalysis, as of January 2026. Each bar represents the capacity planned by data center developers in the service territory of the utility, but not the capacity from projects where the developer has signed electric service agreement with the utility.

Our database can also serve as an input in investor analyses of customer concentration patterns. Amazon, Microsoft, Google and Meta account for roughly half of the total planned data center capacity additions, according to our database. While hyperscalers’ size and balance sheet strength can provide stability for utilities, a concentrated customer base can create risk. Changes in investment plans at these companies could materially affect regional power demand forecasts.

Monitoring local regulations and community reaction

As part of our investment process, we monitor regional regulations on AI data center development as well as community reaction, as local governments and residents have become increasingly concerned about energy affordability, water usage and other issues related to AI development.

There is growing local opposition to AI data center development. The number of projects blocked or delayed in the first quarter this year – at least 75 – rivals the total number in 2025, according to Data Center Watch.³ These projects are worth a total of \$130 billion. More than 300 state bills on data centers were filed in the first six weeks of 2026 alone, with statewide moratorium on data center development proposed in 14 states.

If opposition to data centers accelerates, it could affect project realization and potential revenue growth. Utilities will need to maintain a balance between sustaining growth and protecting ratepayers to mitigate the risk of adverse social and political outcomes.

Final thoughts

Overall, AI-related power demand remains an important tailwind for U.S. utilities, but the pace and distribution of benefits will vary meaningfully by company and region. As such, fundamental analysis is critical. Our database showcases Capital Group's deep fundamental research capabilities, allowing our investment professionals to assess company exposure at the project level, distinguish announced demand from more advanced development and better evaluate which utilities are positioned to benefit from the AI buildout.

Footnotes/Important information:

¹Electric utility is a corporation, person, agency, authority, or other legal entity or instrumentality aligned with distribution facilities for delivery of electric energy for use primarily by the public. Independent power producer is a corporation, person, agency, authority, or other legal entity or instrumentality that owns or operates facilities for the generation of electricity for use primarily by the public, and that is not an electric utility.

²Hyperscalers refer to large tech companies that develop and operate massive data centers. Neocloud refers to specialized cloud infrastructure providers dedicated to AI workloads. Customers in a colocation data center lease space for hardware that they own.

³Data Center Watch. "Q1 2026: Data Center Watch Report."

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