Stirling Bridge
Wealth Partners, LLC

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The roaring street is hung for miles
With fierce electric fire. ~ William V. Moody

Modern. Plain. Nondescript. Those are some of the words used to describe the more than 100 data centers built in Ohio alone. And more, and more are coming. The so-called hyperscalers (Meta, Amazon, Google, & Microsoft) are on a capital spending tear, dumping more than a trillion dollars collectively into constructing data centers across the U.S. and across the world. Yes, a trillion dollars!

Of course, data centers have been around since the dawn of the Internet, processing, storing, and managing data as it zips around the globe. You bought shoes on Amazon? The transaction was processed in a data center. You used a search engine on your phone? You guessed it. Your query and the answers routed through a data center.

So, why the sudden explosion in data centers now? You are likely not surprised that the answer lies in Artificial Intelligence (AI). AI models and agents are experiencing high demand from end users as well as corporate and government clients. Those aforementioned hyperscalers and other technology giants are in an arms race to see which of them achieves hegemony in what they deem the future of computing. They are literally betting their organizations' futures on AI by planting computers where once existed corn.

But the challenge in these vast projects isn't just about finding available land, getting myriad of permits, scheduling supplies and then construction. It's more involved than designing cutting edge chips and devising new software to route and manage data. It's even more complicated than training and deploying innovative AI agents.

It's about *POWER*.

Data centers, in general, consume more than fifty times the energy per square foot of floor space as other commercial buildings according to the Department of Energy. Those in Ohio and elsewhere are no exception. By itself, any one of Ohio's data centers is likely consuming more power from the electric grid than most of Ohio's electric cooperatives draw at their peak!

In fact, AI demand will cause rocketing demand for electricity. Due to the extra computer crunching needs, a Google search utilizing AI draws four times more power than a traditional search. Extrapolating that statistic across millions of use cases and

billions of people, it is plain to see electric demand will only increase. The utility American Electric Power has requests from data center companies to build new facilities in Ohio that, when their demand is combined, would consume more energy than the current total load of the state.

Data centers already account for 4% of electricity use in the Midwest. By 2030, they will use 12% of all electricity, 16% by 2039. And keep in mind, to keep data centers' share of the demand even that low assumes more reliable power is produced with each passing year! It also requires an expanded transmission system to get the power onsite. Therefore, if additional electric generation capacity and transmission lines do not keep pace, the amount sucked up by data centers could easily top 25% of all power produced. Current projections indicate that electricity demand will outstrip supply within three years.

What has this to do with investing? We already invest in growth AI companies – the hyperscalers, the chip designers, the data management companies, etc. But this discussion clearly indicates we must consider the power inputs to the system. Since data centers need constant, reliable, baseload power, the only choices are coal and natural gas. The Federal government has seen fit to eliminate coal (a mistake in our eyes) so that leaves natural gas as the only alternative. Other so-called alternative sources of clean energy such as wind or solar coupled with batteries are not capable of providing that steady baseload power. Therefore, from an investment standpoint we look at things like natural gas producers and pipelines. We consider liquid natural gas plays. We dig into independent power producers as well as gas and electric utilities in constructive states.

Our readers may now see why some of those older, stodgy industries might also become more important or more growth-oriented in the coming decade. You may also see why we need even more of that "fierce electric fire" described above by Moody roaring down those ubiquitous lines hung above our streets.

Stirling Bridge Wealth Partners, LLC is fortunate to count many of you as clients. In the good times and bad, we remain committed to providing customized investment solutions and robust financial planning wrapped in a package of exceptional service. We thank each of you for your dedication to us and for your trust.

Sincerely
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